The Chain of Business Failures Village Owned Enterprises
Gain Profits and Create Community Welfare

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Received: September, 24, 2021 Revised: March, 07, 2022 Accepted: March, 08, 2022

Abstract

This study aims to uncover the chain of Village Owned Enterprises (BUMDes) business failures in the West Halmahera Regency. BUMDes business is a village government business that is run to achieve the goals of profit and society welfare. Empirical facts show that after the Village formed BUMDes and made a sizeable Equity Participation in BUMDes, what happened was that BUMDes BUMDes businesses experienced suspended animation. As a result, until now, the existence of BUMDes has not been able to contribute to Village Original Revenue and improve the welfare of rural communities as expected by the Village and the Community. The researcher uses a qualitative approach with the Transcendental Phenomenology method to achieve this goal. The research information includes elements of the village government, BUMDes managers, and village communities who have been in contact with BUMDes. The study results provide evidence that the failure of the BUMDes business is caused by the high conflict of interest of the village head and the indifference of the Village Consultative Body (BPD) towards BUMDes. This research contributes theoretically to the development of regional financial management science and information material for the West Halmahera Regency Government to make it easier for local governments to break the chain of failure of the BUMDes business.

Keywords: Business Failure; BUMDes; Governance; Community Welfare

DOI: https://doi.org/10.33096/atestasi.v5i1.945
p-ISSN : 2621-1963
e-ISSN : 2621-1505

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Introduction

The current management of Village Owned Enterprises (BUMDes) is substantially still looking for an effective model to improve the excellent performance of BUMDes (Agunggunanto et al., 2016). Factually, until now, the existence of BUMDes has not been able to contribute to
Village Original Income or improve the welfare of rural communities as expected by the Village, and the Community is a reality that should not ignore (Ihsan & Setiyono, 2018). Various problems arise in the management of BUMDes, ranging from the lack of transparency in the recruitment of managers, the low level of organizational human resources, the unpreparedness of the Village in managing village businesses to the conflict of interest that dominates the management of BUMDes. Therefore, villages and BUMDes need to roadmap the problems faced when developing BUMDes business (La Suhu et al., 2020).

Must understand that managing a BUMDes business means running a profit-oriented and society-welfare-oriented business (Lumintang & Waani, 2019). This is more because most of the capital used by BUMDes comes from APBDes (Kurniasih & Wijaya, 2017). To realize successful BUMDes business practices, business principles must be carried out by the village government so that BUMDes can contribute to the village government and the welfare of the village community (Filya, 2017). However, running a business for the village government is new and challenging. The central government's push for villages to utilize village funds through BUMDes has not had a positive impact on village independence efforts and improving community welfare (Ibrahim et al., 2020). The important thing that must face is how to build a good relationship between the BUMDes manager as the (agent) and the village government as the (principle) (Wowor et al., 2019). In the concept of agency theory developed by (Jensen & Meckling, 1976), the relationship that is built should not only carry out their respective roles but how so that the relationship that is created can increase the utility for each party (Dahan et al., 2015; Kurniasih & Wijaya, 2017; Remington & Pollack, 2016). Therefore, business relations should be based on the spirit of professionalism social entrepreneurship, guided by sound business ethics, and having clear roles for each party. The relationship that is built is mutually beneficial.

The concept of this relationship is generally better known as the Business-government relationship, which emerged as the impact of modern management implemented by the government (Bali & Darma, 2019). The new public management paradigm has given the principle that good governance is a government that reduces intervention in people's lives (Dahan et al., 2015; Kurniasih & Wijaya, 2017; Remington & Pollack, 2016). From there, the corporate principle emerged, which had consequences for involving private actors in managing potential public resources. The existence of this corporation then requires strengthening the pattern of relationships between business actors (agents) who are given responsibility and the government as the owner of capital (principle) (Jahja, 2013).

This concept is also in line with the mandate of RI Government Regulation (PP) No. 43 of 2014 concerning Implementing Regulations of Law No. 6 of 2014 concerning Villages, Article 132 point 3 that the BUMDes management organization is separate from village government organizations. The village head only acts as a supervisor, while the operational executor must be appointed and dismissed by the village head from a professional circle. Thus, the management of village-owned businesses is expected to be more professional (La Suhu et al., 2020). This study is essential because, based on the current phenomenon after the Village formed BUMDes and made a sizeable Equity Participation in BUMDes, what happened was that BUMDes BUMdes businesses experienced suspended animation. Based on this phenomenon, the researcher is interested in studying and at the same time revealing the reality of the ups and downs of BUMDes efforts and how the relationship pattern is built between BUMDes managers and village governments in managing BUMDes businesses in West Halmahera Regency.
This research topic is related to the pattern of business failure of Village Owned Enterprises (BUMDes) in the West Halmahera Regency. Referring to the research problem above, this research is intended to uncover the pattern of business failure of Village Owned Enterprises (BUMDes) in the West Halmahera Regency. BUMDes is a village business institution that is managed by the Community and village government to strengthen the village economy and is formed based on the needs and potential of the Village. BUMDes, according to Law number 32 of 2004 concerning Regional Government, was established, among others, in the context of increasing Village Original Income (PAdesa). As one of the economic institutions operating in rural areas, BUMDes must be different from other financial institutions in general. This is intended so that the existence and performance of BUMDes can make a significant contribution to improving the welfare of villagers. Besides that, not developing a capitalistic business system in the countryside can disrupt the values of social life.

There are 7 (seven) main characteristics that distinguish BUMDes from commercial, economic institutions in general, namely this business entity is owned by the Village and managed jointly; Business capital comes from the Village (51%) and the Community (49%) through equity participation (shares or share); Its operations use a business philosophy rooted in local culture (local wisdom); The line of business carried out is based on the potential and results of market information; The profits obtained are intended to improve the welfare of members (capital participants) and the Community through village policies (village policy); Facilitated by the Government, Provincial Government, Regency Government, and Village Government; The implementation of operationalization is controlled jointly (Pemdes, BPD, members).

BUMDes, as an economic institution for its business capital, was built on the initiative of the Community and adhered to the principle of independence (Filya, 2017). This means that the fulfillment of BUMDes business capital must come from the Community. Nevertheless, it is possible that BUMDes can apply for capital loans to outside parties, such as from the Village Government or other parties, even though third parties. This is by the legislation (Law 32 of 2004 concerning Regional Government Article 213 paragraph 3). This explanation is fundamental to prepare for the establishment of BUMDes because the implications will be in contact with its regulation in Regional Regulations (Perda) and Village Regulations (Pardes).

The four main objectives of establishing BUMDes are to improve the village economy; increase original village income; improve the processing of village potential by the Community's needs and Become the backbone of rural economic growth and equity (Alkadafi, 2014). The establishment and management of Village Owned Enterprises (BUMDes) embody productive village financial management, which is carried out in a cooperative, participatory, emancipatory, transparent, accountable, and sustainable manner (Ihsan & Setiyono, 2018). Therefore, serious efforts are needed to make the management of these business entities run effectively, efficiently, professionally, and independently to achieve the goals of BUMDes carried out by meeting the needs (productive and consumptive) of the Community through distribution services of goods and services managed by the Community and the village government. (Anggraeni, 2017). Fulfilling this need is sought not to burden the Community, considering that BUMDes will become the most dominant village business in driving the village economy (Ibrahim et al., 2020). This institution must also provide services to non-members (outside the Village) by placing prices and services that apply market standards. This means that
there is an institutional mechanism/rules mutually agreed upon so that it does not cause economic distortions in rural areas due to the businesses run by BUMDes. It is stated in the law that BUMDes can be established according to the needs and potential of the Village. What is meant by village needs and possibilities are community needs, especially in meeting basic needs; There are village resources that have not been used optimally, especially village wealth, and there is demand in the market; Human resources are available who can manage business entities as assets that drive the Community's economy; and The existence of business units which are community economic activities that are partially managed and less accommodated (Lumintang & Waani, 2019).

The establishment of BUMDes is based on Law no. 32 of 2004 concerning Regional Government and PP No. 72 of 2005 concerning Villages. In detail, the two legal foundations for BUMDes are Law no. 32 of 2004 concerning Regional Government; Article 213 paragraph (1) "Villages may establish village-owned enterprises by the needs and potential of the village." In PP No. 72 of 2005 concerning Villages Article 78, namely in increasing the income of the Community and the Village, the Village Government may establish a Village-Owned Enterprise following the needs and potential of the Village; The establishment of a Village-Owned Business Entity as referred to in paragraph (1) shall be stipulated by a Village Regulation guided by the statutory regulations; The form of Village-Owned Enterprises as referred to in paragraph (1) must be a legal entity. Then Article 79 states that Village Owned Enterprises as referred to in Article 78 paragraph (1) are village businesses managed by the Village Government; Village Owned Enterprise Capital may come from the Village Government; Community savings; Government Assistance, Provincial Government and Regency/City Government; Loan; and other party's equity participation or profit-sharing cooperation based on mutual benefit; The management of Village-Owned Enterprises consists of the Village Government and the Community. Furthermore, Article 80 states that Village-Owned Enterprises can make loans by statutory regulations. As referred to in paragraph (1), the loan is made after obtaining BPD approval. Finally, in Article 81, it is stated that further provisions regarding the Procedure for the Establishment and Management of Village-Owned Enterprises are regulated by Regency/City Regional Regulations. The Regency/City Regional Regulation, as referred to in paragraph (1) shall at least contain a Form of legal entity; Management; Rights and obligations; Capital; Profit sharing or profit-sharing; Cooperation with third parties; and Mechanisms for management and accountability.

In the management of BUMDes, there are essential BUMDes management principles to be described so that they are understood and perceived in the same way by the village government, members (investors), BPD, Regency Government, and the Community (Sofyani et al., 2020). There are 6 (six) principles in managing BUMDes: cooperative, participatory, emancipatory, transparent, accountable, and sustainable. Then related to the implementation of the Village Fund Allocation (ADD), the process of strengthening the village economy through BUMDes is expected to be more empowered. This is due to the support, namely the more significant village budget funds. This allows the availability of sufficient capital for the establishment of BUMDes. The main thing that is important in efforts to strengthen the village economy is to enhance cooperation (cooperative), build togetherness or build cohesion at all levels of village society, so that it becomes a driving force (steam engine) in efforts to alleviate poverty, unemployment, and open market access.
Research Design and Method

They conducted this research in West Halmahera Regency, North Maluku Province. The scope of the research focus is in the administrative area of West Halmahera Regency. The object of this research is the BUMDes Business Failure Chain in West Halmahera Regency. In this study, researchers used a qualitative method using transcendental phenomenology as a research method. The choice of this method was based on the interests of researchers to obtain data from the transcendental experience of several BUMDes business actors in the village of Guaemaadu. Primary data collection was carried out through in-depth interviews, while secondary data was collected through library research and internet searches (Sugiyono, 2013). Technical data analysis in this study was carried out with the first steps; the researcher described the transcendent personal experience of BUMDes businesspeople in Guaemaadu Village. This step can be called epoche (letting the informant tell the transcendent experience as it is). Second, the researcher will carry out a phenomenological reduction step or, in other words, will carry out object reduction to reveal the object's essence, eidos, or nature. This reduction is operationalized by bracketing and horizontalization. Third, the researcher conducted a cluster of meaning, namely grouping and describing the informants' statements into the themes that became the research topics. This cluster of meaning is intended to obtain a blue thread between the ideas and expressions of the informants, then explain the informants' interpretations or understandings of the material that is the research topic. Fourth, the researcher reflects on getting the overall meaning revealed from the informants related to the research topic by considering the structure of time, space, materials, causal relationships, and interactions of informants with other people. Fifth, the researcher did a comprehensive synthesis of meaning and essence by constructing all meanings and essences formed from explaining the informant's experience.

Results and Discussion

BUMDes to accelerate development and equitable distribution of welfare in the village Guaemaadu

Owned Enterprises (BUMDes) Guaemadu Village is one of the BUMDes formed collectively by the West Halmahera Regency Government, which was inaugurated by the Minister of Villages, Development of Disadvantaged Regions, and Transmigration (Mendes PDTT) in 2017. The number of BUMDes that was inaugurated was 125 BUMDes throughout West Halmahera (Halbar) Regency. This inauguration is an effort of the Central Government and the West Halmahera Regency to accelerate village development and equitable distribution of welfare in the West Halmahera Regency. This is as stated by the Mendes PDTT, which was uploaded on the amended.go.id page as follows:

"...The day has already begun. Earlier, it was said that there were already BUMDes here that had profited from reaching Rp. 176 million. We hope that this BUMDes will help increase economic growth in West Halmahera...." Saturday (15/4/2017)

With the inauguration of 125 BUMDes in West Halmahera Regency, the Mendes PDTT also encourages the people of West Halmahera to take advantage of the business potential that already exists in each village to increase the welfare of the community and the income of BUMDes,
which in turn can increase Village Original Income. In addition, seeing the massive potential for coastal tourism in the West Halmahera district, he requested that BUMDes, which have coastal tourism potential, provide tools for snorkeling and underwater cameras. This is to provoke public interest in recognizing and promoting the natural beauty of Halbar's underwater world. As stated by the Mendes PDTT quoted from the amended.go.id page as follows.

"With natural conditions like this, Halbar can also make mountain bike events. Cooperation with BRI or BNI to help promote it on their online portals. Create tour packages and take advantage of the sophistication of e-commerce. Lots of things to do...."

However, it is realized that each village has different human and financial resource capabilities, so each BUMDes should have good management in its management. To facilitate this problem, the central government through BULOG established PT. BUMDes Nusantara partners in collaboration with BNI, BRI Bank Mandiri and BTN build BUMDes. This significant government effort is intended as a strategic step to help strengthen, develop and improve the performance of BUMDes by encouraging acceleration, partnerships, enhancing governance, and business financing of BUMDes in Indonesia. The following is an excerpt from Mendes PDTT's statement.

"...PT. Mitra BUMDes Nusantara is owned by BULOG assisted by BRI, BNI, Bank Mandiri, and BTN. They will also provide assistance. will also channel assistance provided by the government through BUMDes, so that management must be good so that the profits obtained can be optimal...."

To succeed in the central government program, the Director of Business and Industrial Development of Perum BULOG serves as the President Commissioner of PT. Nusantara BUMDes partner Imam Subowo strongly supports the development of BUMDes. According to him, this is because BUMDes will be a solution to increase the productivity and income of farmers in rural areas. The following is a statement from the Commissioner of PT. BUMDes Nusantara partner.

"...In general, farmers have two problems. First is capital. Then the second is marketing. Therefore, many farmers are trapped in dibo-dibo (middlemen). With the existence of PT. The partner of BUMDes Nusantara, BULOG will help with infrastructure as well as directly buy their agricultural products. Meanwhile, banks will help with capital as well as encourage farmers to save...".

In line with the thoughts of the central government and the President Commissioner of PT. The partner of BUMDes Nusantara, as the Regent of West Halmahera, Danny Missy, admitted that he was ready to realize his commitment to support the priority programs of the Ministry of Villages and PDTT through the support and assistance of BUMDes in his area. According to the Regent of West Halmahera, many commodities in West Halmahera are in demand by markets outside West Halmahera. Every day Halbar releases 400 tons of bananas, 4,000 tons of copra per
month, and 128,000 tons of fish out of Halbur. Still, these activities have not been followed by added value for the community. Farmers and fishers. There is no good upstream-downstream industry management, so these commodities are only exported with very standard packaging. As a result, farmers and fishers get the maximum income, only earn minimal income. The following is the statement of the Regent of West Halmahera.

"...If it is calculated, the BUMDes income can reach hundreds of billions per month. Our target, after BUMDes is formed as a whole, we will protect farmers from marketing their agricultural commodities through BUMDes...."

Based on this description, it is illustrated that substantially the idea of establishing BUMDes in West Halmahera has a big vision for the welfare of farmers and fishers by improving product quality and product added value through the downstream production processes through BUMDes in West Halmahera. Along with this idea, the Central Government through BULOG established PT. BUMDes Nusantara and in collaboration with BNI, BRI Bank Mandiri, and BTN to support BUMDes transaction activities in Indonesia. In this way, BUMDes should metamorphose into a locomotive for the movement of the populist economy and rural economy as well as become a value-added and competitive regional product packaging designer in local, regional, national, and global markets by utilizing available marketplaces in the industrial era 4.0 or the current digital era. However, realizing this vision is not as easy as turning the palm; BUMDes face many challenges and problems in West Halmahera. In this regard, the following will present the story of the ups and downs of the West Halmahera BUMDes in conquering challenges and facing problems that hinder the journey in achieving the vision of the welfare of farmers and fishers in West Halmahera.

**Good intentions are not enough to build BUMDes that will not fail.**

As discussed in the previous sub-chapter, the establishment of BUMDes in West Halmahera Regency has a big vision for the welfare of farmers and fishers by increasing product quality and product added value through downstream production processes BUMDes in Halmahera. West. However, currently, many BUMDes established from 2017 to 2021 are experiencing suspended animation. Even though the capital investment has been carried out up to hundreds of millions, the development of the BUMDes business turns out to be no growth. We have research related to this in Guaemaadu village, Jailolo district, and based on the study results, the formation of BUMDes management in Guaemaadu village was carried out based on nepotism (low entrepreneurial motivation, education, entrepreneurial experience). According to the newly elected Secretary of Guaemaadu Village, he revealed that nepotism was carried out more because he was forced to fulfill the wishes of the West Halmahera district government that every village should have a BUMDes. The following is the informant's statement.

"...At that time, it was just appointed...the problem was that it took a long time with the old village head just pointing it out...there was a problem, there were a lot of these... that's just the appointment of who was the treasurer, who was the Secretary, who was the chairman... During 2017 the program suddenly...they said that...all villages must have BUMDes...without any assistance from other
"...the past BUMDes...that first period, in 2017, right now...from the village, ministry to form BUMDes, BUMDes throughout Indonesia...the old BUMDes...budgeted by the old village government, they had this only business what... just a photocopy... just the photocopy... it took two months, three months it doesn't work anymore... maybe because of the influence of the photocopying business or something... only if I look at it from that side... maybe it's... the head of BUMDes, together with the secretary, the same The old treasurer and village head, maybe less intensely looking at BUMDes...."

This description provides a lesson for all villages planning the election of BUMDes management who will manage the BUMDes business; they should avoid nepotism. Still, on the contrary, they can consider aspects of rationality such as individuals who have high entrepreneurial motivation competence (level of education and young age); organizational commitment, and entrepreneurial experience.

**BUMDes management based on political interests is the beginning of the collapse of the BUMDes business.**

In addition to the problem of nepotism (unprofessional recruitment of BUMDes HR), it turns out that the business continuity of BUMDes is also often faced with political issues, namely the inseparable management of BUMDes with the Village Government so that it is not uncommon for the election of BUMDes management to be carried out with the smell of "group interests"
(Kamaluddin, 2001). So that it is not uncommon for people appointed to occupy the positions of Chairman, Secretary, and treasurer of BUMDes to be people who have an affiliation of interests with the village government (Santosa, 2011). Therefore, there is no wrong word if there is just that the election of the chairman, secretary, and treasurer of BUMDes is currently full of interests and therefore, to occupy the position of chairman, secretary, and treasurer of BUMDes, competence, and professionalism are no longer needed. As a result of this condition, of course, the victims are the deteriorating performance of BUMDes. In the end, BUMDes only become antiques and become a burden on village finances.

This preference is in line with the findings of this study which found that there was a reality of stalled equity participation in BUMDes Guaemaadu in the 2017-2018 period of Rp. 175,000,000.00. According to the informant, in 2017, the village government realized a capital investment of Rp. 175,000,000.00 in BUMDes Guaemaadu, which was then used by the BUMDes management to open a photocopying business, but within 2 to 3 months, this business went bankrupt, so that in the end lost and closed. The following is the statement of research informants who have been transcribed.

"... The old BUMDes... budgeted for by the old village government... if the first capital investment was quite large than the current one... about one hundred seven five million that much (Rp 175,000,000), they had a business, what is this... photocopy just... just the photocopy... it took two months, three months it doesn't work anymore...."

This finding proves that in practice, the affiliation of interests in the election of BUMDes management (if they appoint BUMDes management) hurts the performance of BUMDes. The research data shows that the problem related to the poor performance of the Guaemaadu BUMDes in the first period does not lie in the limited working capital but lies in the conflict of interest when the village formed the BUMDes management in Guaemaadu Village, this was due to ignoring the selection procedure in recruiting BUMDes managers. In addition, it also revealed that the village head wanted to control the BUMDes business. This is implied from the following informant's expression.

"...what I feel irritated is...the capital investment to BUMDes...but the spending is not BUMDes...but the head of the village is spending...even though the capital participation has been entered into the BUMDes account...but the village head withdraws the capital participation...then the village head spends everything just a note given to BUMDes...."

Meanwhile, the Village Consultative Body (BPD), which is expected to be the agent of control over the running of the village government, does not care about its role, even the BPD tends to become a crony so that the village government in selecting BUMDes management does not have a control system, in the end, the selection of BUMDes management is carried out at will by the village head. This condition has also been confirmed to have occurred in the village of Bobanehena, Jalan Baru, Toboso, and does not demand the possibility of this happening in all
BUMDes formed in 2017, which is a project of the West Halmahera Regency Government. Following are the results of interviews with informants in Guaemaadu Village.

"... I just thought that the intervention was too much of a problem for the old BUMDes... the old BPD used to be indifferent, you know... they didn't care about that...."

Reviewing the research results above reveals that the success of BUMDes business does not lie in good intentions in building BUMDes and the business capital included, but lies in the professionalism of BUMDes management, not in the direction of BUMDes based on Political Interests. Therefore, must implement the recruitment system for BUMDes management to produce qualified and professional BUMDes administrators who have high education, commitment, motivation, and entrepreneurial experience. The Village Head must be a separate owner from the BUMDes, and not directly involved with the BUMDes business. Meanwhile, the BPD as a control system for the administration of village governance must be concerned with all village activities, including BUMDes, on the contrary not being indifferent or even becoming a cron, so that can realize the formation of BUMDes as a medium for accelerating village development and equitable distribution of welfare properly.

Conclusions
This research can provide evidence that good intentions, attention, and encouragement from the central government and local governments, as well as the amount of capital investment, are not enough to make BUMDes not fail in running their business because it turns out that to cause BUMDes business did not fail lies in the significant role of the authority of the Village Head and BPD. This is confirmed from this study that, empirically, the BUMDes business failure was significantly due to a conflict of interest of the Village Head. There was no sound recruitment system in selecting the Director, Secretary, and Treasurer of the BUMDes. As a result, the selected BUMDes managers did not have the education, commitment, motivation, and experience. Adequate entrepreneurship. In addition, this study also found that the BPD, in many ways in the administration of village government, did not carry out its function as a control system, and precisely because of that, the BPD seemed to play a role as a cron of the Village Head who was placed in the BPD.

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