

Future Challenges of Village-Owned Enterprises in Pamekasan, East Java, Indonesia: In the Perspective of Program Evaluation

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Abstract. This research explores the future challenges Village-Owned Enterprises (Bumdes) face in Pamekasan Regency, Madura, East Java. This study reveals significant progress and ongoing challenges in the context of BUMDes, which are important drivers of local economic development and community well-being. This research includes an examination of the typology of program evaluation, the establishment of BUMDes, and the obstacles faced in its implementation. Additionally, the report provides valuable policy recommendations to address these challenges. This research emphasizes the importance of determining causal relationships between program interventions and observed outcomes in program evaluation. This positions program evaluation as an important tool to inform policy decisions and improve the well-being of stakeholders, including clients, service providers, administrators, and policymakers. The establishment of Bumdes in Pamekasan Regency is experiencing rapid progress, with more and more villages embracing this business entity. Bumdes have contributed to local economic growth and job creation and increased the village's original income (PADes). However, the future is still full of structural and psychocultural challenges, such as bureaucratic complexity in licensing, limited human resources, and low community participation. To overcome this problem, this research offers a series of policy recommendations, which include increasing identification of village potential, strengthening leadership, policy reform, investing in social capital, network facilitation, transparency and accountability, and optimizing Village Original Income.

Keywords: future challenges, Pamekasan, program evaluation, village-owned enterprises (Bumdes)

1. Introduction

Development actually has the aim of building independence to improve community welfare. Villages are the leading government agents in implementing development because development at the village level is directly related to the community. In fact, although the government has long carried out rural economic development, these efforts have still not been successful [1]. One of the reasons this goal has not been achieved is the government's intervention, which is still too large in rural economic development. Based on this assumption, the government should encourage village independence to manage their own regional potential [2]. For this reason, Village-Owned Enterprises (*Badan Usaha Milik Desa* -- Bumdes) were established. The establishment of Bumdes is a new breakthrough that should be appreciated. At least Bumdes is a new form of community business ownership that can encourage the process

of economic equality in villages that have often been neglected. However, what needs to be emphasized and paid attention to is when Bumdes will be established. Some mechanisms have been regulated in statutory regulations that must be implemented. This is intended so that Bumdes stands based on legal force to carry out its activities. Basically, Bumdes is an economic institution at the village level that seeks to improve community welfare [3]. This Bumdes has become an important part of community economic empowerment at the village level since it was included in Law Number 6 of 2014. Building village economic independence has become a new paradigm in rural area development.

2. Research Methods

This research was carried out using qualitative methods with an evaluation research approach, which is a research activity to collect data to present accurate and objective information regarding the implementation of Bumdes policies based on established criteria. Program evaluation with a qualitative approach involves determining the evaluation objectives, evaluation period, and other supporting factors such as accessibility to the program, determining the unit of analysis, which refers to the individuals and groups involved in the program, and determining the sample, the type of data to be collected, how to analyze the data and how to draw conclusions. A process evaluation can be found based on the accuracy and objectivity of the information obtained. Next, we can determine the value or level of success of the program and its effectiveness through program objectives. Evaluative research basically focuses on final recommendations that confirm that an evaluation object can be maintained, improved, repaired, or even dismissed in line with the data obtained. This research was conducted to obtain data and produce conclusions regarding evaluating Bumdes policies in Pamekasan Regency using a logic model.

3. Findings and Discussion

3.1 Program Evaluation Typology: Systematic Literature Review

Assessment research seeks to determine whether a given intervention actually produces the observed results, as well as comparisons between groups. Addressing causal questions can be very difficult and requires relatively sophisticated research designs. Assessment research refers to systematic research to determine the success of a particular program [4]. Furthermore, assessment as a criterion for calculating utilization is included in the assessment definition: assessment research is intended to be quickly used in improving policy decisions. Assessment is accessing the value of a policy. When value is established, separate policy decisions will either align with the assessed value (*utilization*) or against the value chain (*non-utilization*). If this is not accommodating and in reality, this is not often the case in this sense), other means of change are needed to bring producers and consumers into optimal exchange relations [5]. A program is a collection of organized activities designed to achieve certain goals. It is an organized activity program, not a series of random actions, but a series of planned actions designed to solve a problem. If there are no problems, there is no need for programmed intervention. So, a program is an intervention or service that is expected to provide certain effects on program participants [6]. Meanwhile, the best program is the program that creates the most profits in evaluation programs and comparative assessments of large-scale welfare systems with a utilitarian nature. Most utilitarian assessment approaches can be used by governments or other parties that

mandate and/or sponsor assessment research whose primary targets are public program managers and administrators [7].

The program assessment approach is responded to by several experts with different assumptions. The psychology dictionary defines program assessment as a process whose purpose is to (a) contribute to decisions in installing, certifying, and modifying programs, (b) obtain facts for support or oppose a program, and (c) contribute to underlying knowledge. Program assessments are designed to make comparisons in stakeholders' lives, including clients, service providers, supervisory administrators, and policymakers at all levels. A person who accepts a particular program also creates a program that is implemented in various areas and at the state, national, or even international policy level [8]. On the other hand, alternative approaches in program assessment are referred to in two terms: programs and stakeholders believed to provide a universal description of what is meant.

Stakeholders are various people and groups with direct interests and may be affected by the program being evaluated or the results of the assessment. They are interested in the program's future direction and have the right to function in determining that direction by identifying the concerns and issues that must be addressed in evaluating the program and selecting the criteria to be used in calculating its value. More broadly, it is a group of people, organizations, management, and resources that collectively undertake long-term efforts to achieve specific educational, social, and commercial goals. Program is a term that can be referred to in many ways. Alternatively, it can be defined as a prolonged and planned intervention seeking a specific outcome in response to an experienced educational, social, or commercial problem [9].

The program assessment is an approach that considers logical and empirical methods for evaluating objectives, which include logical procedures as follows. First, we check the clarity of the reason or rationale behind each goal; if there is no justifiable alibi for a goal or objective, it will not have much value. The need to achieve goals or objectives is an important consideration. Second, we must check the consequences of achieving a goal or objective by logically estimating the consequences of achieving a goal; both strengths and weaknesses in competing goals can be revealed. Criteria such as efficacy and feasibility (pay, acceptance, political suitability, training, or other requirements) of the goal or objective can be used here. A literature search may reveal the results of past efforts to achieve a particular goal or objective. Third, we think about large-level values, such as laws and policies, according to existing applications, moral principles, or the ideals of a free society, to see when a goal or objective is needed or when it would be contrary to values; if a goal or objective runs counter to values to a large degree, its achievement will likely result in more problems than it solves. Logic models and program theory are useful for evaluators, helping them learn more about how a program works and identify program aspects (inputs, activities, outputs, and specific results) that need to be considered carefully. This helps focus the assessment issue on how each aspect is carried out, how well each aspect is carried out, the strengths and weaknesses of each aspect, and several methods by which changes in each aspect can improve performance [10].

3.2 Village-Owned Enterprises (Bumdes): Self-Reliance and Effective Villages

Building economic independence aims to answer the classic problem in villages, namely the low level of community welfare. This condition can only be overcome by breaking the chain of poverty. The strategy to alleviate poverty and inequality is carried out through community empowerment and optimizing the potential of village resources [11]. Therefore, it is necessary to strengthen the local economy, prioritizing community empowerment and optimizing village resources. Based on data from the Ministry of Village, Development of Disadvantaged Regions

and Transmigration of the Republic of Indonesia (Bumdes.kemendesa.go.id as of March 2023), only 12,945 Bumdes have officially incorporated legal entities. Meanwhile, around 35,000 Bumdes are still in the registration stage. Thus, around 42% of villages still do not have a Bumdes. As of August 1, 2022, of the 57,273 Bumdes, 7,902 Bumdes have been certified as legal business entities. Of the 45,233 Bumdes actively running businesses, they have created jobs for 20,369,834 people with a turnover of IDR 4.6 trillion. Bumdes's contribution is also significant in increasing village original income (PADes) as a source of village funds by IDR 1.1 trillion in 2017-2021. Bumdes has also succeeded in raising community investment to develop village tourism businesses, village commercial businesses, and productive businesses based on village MSME partnerships.

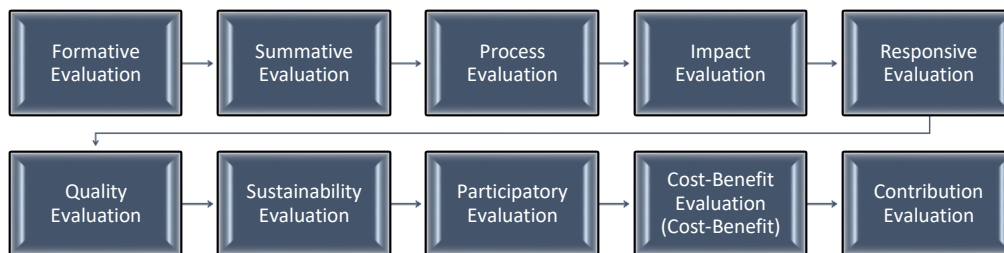


Figure 1: Mapping program evaluation indicators

Source: Managed by the author through Literature Review (2023)

3.3 Implementation of Village-Owned Enterprises (Bumdes): Structural and Psychocultural Challenges or Obstacles

There are several obstacles to Bumdes's progress, including structural and psychocultural obstacles. Structural barriers include the following.

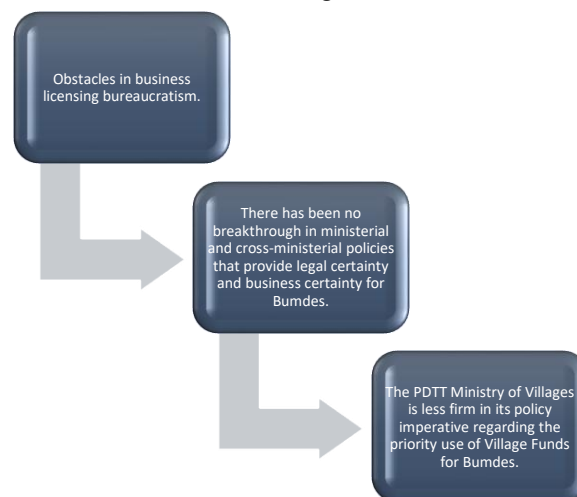


Figure 2: The structural obstacles in Bumdes

Source: Managed by the author through Literature Review (2023)

Based on the explanation in the figure regarding the structural obstacles in Bumdes, it can be explained that, firstly, there are bureaucratic obstacles to business licensing. Bumdes business

licensing follows the orientation, flow, and mechanisms, and general business licensing procedures. In fact, the status of Bumdes is not yet considered a business institution that has legitimacy in understanding business law. Business licensing often makes things related to governance and the creation and use of village assets in the form of land and buildings difficult for Bumdes. Second, there has been no breakthrough in ministerial and cross-ministerial policies that provide legal and business certainty for Bumdes. Some of the policies that Bumdes is waiting for include relaxation in taxation and levies on Bumdesa, which should be based on a Joint Decree between the Ministry of Village, Development of Disadvantaged Regions and Transmigration of the Republic of Indonesia and the Ministry of Finance. Third, the Ministry of Village, Development of Disadvantaged Regions and Transmigration of the Republic of Indonesia is less firm in its policy imperative regarding the priority use of Village Funds for Bumdes. Over the last four years, the priority for using village funds has only placed the allocation of capital participation for Bumdes sourced from village funds at number four and below. In fact, according to regulatory PP No. 11/2021 and PP No. 60/2014, capital participation from APBDes for Bumdes is a top priority, namely in the community empowerment program cluster. This is what makes the village government, in formulating the Village Government Work Plan and Income and Expenditure Budget, ignore the allocation of capital participation for Bumdes. Only village heads who envision advancing the village economy have the courage to allocate Village Funds (APBDesa) for capital investment.

Meanwhile, the psychocultural obstacles that hold back the development of Bumdes from advancing to the stage of business institutions that are compatible and resilient in terms of assets and capital include [12]:

- a. The lack of village human resources (HR) who are passionate about business and entrepreneurship to serve the Bumdes organization.
- b. The majority of Bumdes managers in several regions are ASN elements, micro business actors, and community leaders who do not have totality in advancing Bumdes. So many rural business activists are reluctant to become Bumdes administrators because they think it is difficult to run a business that intersects with various regulations which actually relate to the ethos and customs of rural business.
- c. Bumdes is burdened with rigid administrative responsibilities regulated in the PDTT Village Ministerial Regulation Number 03 of 2021 and procedures for managing goods and services that are not yet fully legally legitimate.

3.4 Evaluation of Bumdes Policy Program in Pamekasan Regency, Madura, East Java

Minister of Home Affairs Regulation Number 39 of 2010 necessitates the presence of Bumdes as a center for developing community economic programs by prioritizing the principles of openness and responsibility towards the community. According to the Regulation of the Minister of Villages, Development of Disadvantaged Regions and Transmigration of the Republic of Indonesia Number 4 of 2015 concerning the Establishment, Management and Management, and Dissolution of Bumdes. The objectives of Bumdes are:

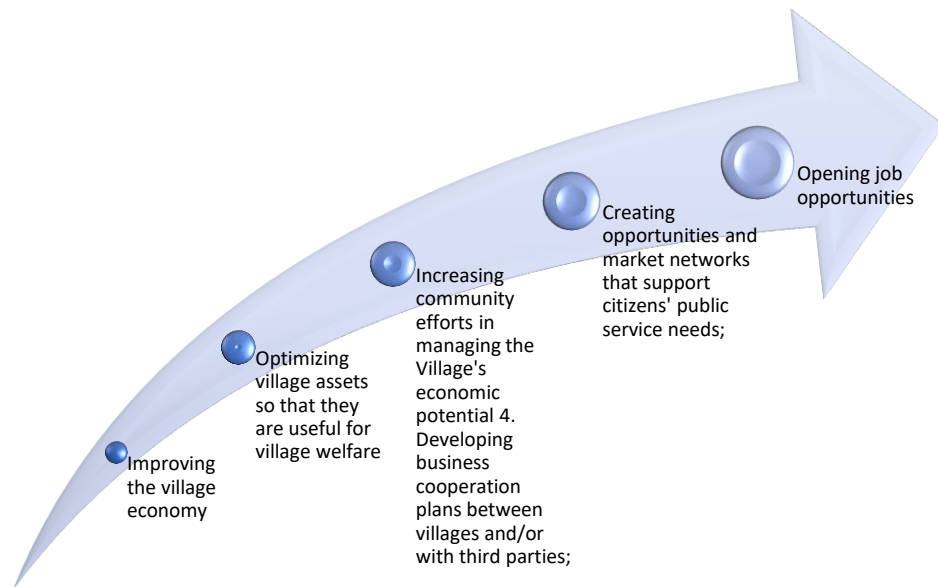


Figure 3: The objectives of village-owned enterprises
Source: Managed by the Author through Literature Review (2023)

Thus, following this goal village independence must be achieved to improve the economy and welfare of village communities. Based on this, to improve the performance of Bumdes, the East Java Provincial Government through East Java Governor Regulation Number 93 of 2019 concerning the Bumdes Clinic Program, a service program that carries out socialization, technical guidance on standards, procedures and management criteria, as well as acceleration facilitation, capital development, and management guidance for Bumdes in East Java, which are managed and developed by the Community and Village Empowerment Service and can collaborate with other parties who are concerned in empowering Bumdes. East Java Province is ranked first in the province with the largest number of Bumdes. Tourism is the most important business for Bumdes in East Java and contributes 7.21% of the East Java economy. Table 1 presents the developments of Bumdes in East Java for the 2019-2023 period.

Table 1: Development of Bumdes in East Java 2019-2023

Description	Classification			Total
	Beginner	Intermediate	Advance	
Semester I 2019	5019	355	58	5432
Semester II 2019	4970	881	58	5909
Semester I 2020	5004	847	175	6026
Semester II 2020	3296	2285	537	6118
Semester I 2021	3077	2278	950	6305
Semester II 2021	3044	2291	1028	6363
Semester I 2022	2914	2282	1225	6421

Semester II 2022	2737	2353	1400	6490
Semester I 2023	2637	2392	1553	6582
Increase and Decrease 2019-2023	Decrease (2382)	Increase (2037)	Increase (1495)	Increase (1,150)

Source: Based on East Java Center Village Data, (2023).

In 2023, Pamekasan Regency, Madura, East Java, and around 129 of the total 178 villages in the region successfully formed Bumdes. Of this number, 20 Bumdes have achieved advanced status, while 109 other Bumdes are still in the intermediate or beginner stage. Establishing Bumdes faces several obstacles, such as limited human resources and the influence of village politics, especially in the context of changing village heads, which can affect Bumdes's management structure. Village assistants have a significant role in facilitating the process of establishing and developing Bumdes. The government must be able to mediate between interest groups at the village level. The main objective of establishing Bumdes is to encourage village economic progress in accordance with the mandate stated in Law Number 6 of 2014 concerning Villages. This law emphasizes the important role of Bumdes in advancing villages towards independence and prosperity. The Pamekasan Regency Government is committed to ensuring that all villages in the area form Bumdes. As more and more BUMDes are formed and developed, it is hoped that the community economy at the village level will experience a significant increase.

Bumdes in Pamekasan Regency finds it hard to increase its status due to a lack of identification of the village's potential. There is low participation from the community in managing Bumdes due to the assumption that Bumdes belongs to the village head. Bumdes, as a business entity based in rural areas, should refer to the identification of the characteristics of its residents. Presumably, the characteristics (economic needs) of village communities that need to receive primary services from Bumdes include the following [13].



Figure 4: Problems with the implementation and formation of Bumdes in Pamekasan

Source: Managed by the author through Literature Review (2023)

Bumdes is not just an ordinary village administration but a key element in encouraging positive economic development. Fattah Jasni, the Vice Regent, underlined the importance of managing BUMDes with high professionalism and the importance of a strong legal entity.

According to him, Bumdes is the foundation for economic growth in a region, and its existence must be implemented seriously to support the village's original income (PADes) [14].

Apart from that, in making policies related to Bumdes, he emphasized the importance of harmony between the village head and the Village Consultative Body (BPD). Village policy and program decisions must result from collaboration between various parties, and the village head needs to ask for direction and input from the BPD as the community representative. The Pamekasan District Government, under the leadership of Baddrut Tamamas as the Regent, has a strong commitment to developing the economy from the bottom with a just approach. One strategy is the New Entrepreneurship program with a thematic village approach. Village governments are expected to be able to identify and utilize village potential to improve community welfare. Several villages have adopted special themes, such as tourist villages, MSME villages, and agricultural villages, with the hope that the potential of these villages will become a strong economic source.

There is a clear common thread that the government needs commitment, harmony between institutions, and innovation in the management of Bumdes. However, on the other hand, Bumdes also needs strengthening in the social capital sector because this is the key to success that needs to be evaluated by the government in forming strong and stable Bumdes. This is consistent with the research results linking social capital with Bumdes, which has been carried out in various contexts and accordance with research needs. For example, research on innovation in Bumdes governance by utilizing social capital in Katapanrame Bumdes shows that the success of BUMDes management occurs due to optimizing aspects of social capital such as trust, networks, and reciprocation [15]. Other research shows that social capital can play a role in improving efficient and quality Bumdes governance and encouraging the development of human resources, village information technology, and environmental awareness [16]. Other research indicates that social capital can strengthen cooperation and norms in managing Bumdes. Another opinion expressed that the environment plays an important role in binding social capital and institutional efficiency in the development of economic enterprises [17].

The recommendation is that networks outside the village provide added value for Bumdes [18]. Low social capital can lead to reluctance to openly disclose ownership of company assets (1). Close interaction between Bumdes's administrators and the community and mutual support drive strong communication and coordination, building mutual trust between BUMDes administrators and other community members [19]. This is because Bumdes needs to act as the main driver in the village economy, with the ability to utilize and optimize all available resources creatively. This will support the growth and development of Bumdes, and in turn, Bumdes can become the backbone of economic initiatives. Optimization of PADes at the village level is minimal, and the most effective approach to change this is to restructure and manage BUMDes comprehensively and utilize the potential of existing resources, including natural capital, human resources, and social capital.

Based on the previous explanation, policy recommendations can be drawn in implementing the program. Based on the program evaluation made, the following recommendation is presented.

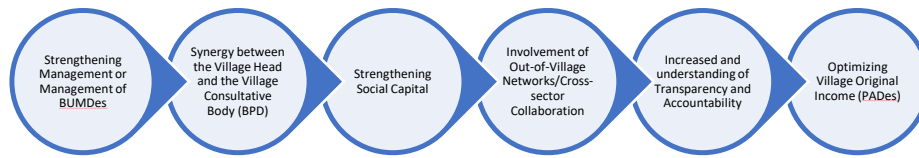


Figure 5: Recommendation for the future direction of Bumdes in Pamekasaan
Source: Managed by the author through Literature Review (2023)

These recommendations can help the Pamekasan Government to increase economic growth in the region through more effective and sustainable management of Bumdes.

4. Conclusion

The findings of this research highlight significant progress and ongoing challenges of Bumdes in Pamekasan Regency, Madura, East Java. Bumdes is important in advancing the village economy and improving community welfare. However, several structural and psychocultural challenges hinder its growth and effectiveness. This research provides an overview of the typology of program evaluation, the establishment of Bumdes, and the obstacles faced in its implementation. The report also outlines policy recommendations to address these challenges. Program evaluation, as a systematic investigation aimed at assessing the success of a particular program, involves determining causal relationships between program interventions and observed outcomes. Evaluations are designed to inform policymaking and contribute to the overall well-being of stakeholders, including clients, service providers, administrators, and policymakers. Second, the establishment of Bumdes in Pamekasan Regency has experienced significant progress, with most villages joining this business entity. Bumdes contributes to village economic growth, creates jobs, and increases PADes. However, many challenges are still faced, especially in identifying and maximizing the potential of each village. Third, Bumdes faces structural and psychocultural challenges. Structurally, bureaucratic obstacles in licensing and the absence of a comprehensive policy create obstacles. Psychoculturally, problems such as limited human resources, low community participation, and rigid administrative responsibilities affect the performance of Bumdes.

To sum up, a policy recommendation is needed, namely increasing the identification of village potential. Then, the Pamekasan Government must focus on better identifying the economic potential of each village, helping Bumdes to increase performance. Encouraging community participation in managing Bumdes and involving individuals passionate about business and entrepreneurship is also necessary. Leadership must not depend solely on the village head. In addition, this research recommends policy reforms that provide legal certainty and business support for Bumdes. This includes simplifying taxation and levies and prioritizing using village funds for Bumdes. Social capital, increased trust, networks, and cooperation are also important for Bumdes. This will increase Bumdes's capacity to collaborate and succeed. Encouraging transparency in Bumdes's operations, including financial management, to build public and stakeholder trust.

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