

Governance of Village-Owned Enterprises (VOE) for Village Economic Development: Case Studies of VOE Maju Mandiri, Bejiharjo

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Abstract. Efforts to improve the economy of rural communities through Village-Owned Enterprises (VOE) have been carried out by many villages in Indonesia. As a basis for VOE management, the application of good governance principles in accordance with laws and regulations is one of the keys to VOE's success in developing the village economy. VOE Maju Mandiri is one of those VOE that implements the basic principles of VOE governance in developing businesses that are able to generate economic benefits to the community. This study aims to analyze and describe the application of the principles of Good Corporate Governance (GCG) in VOE governance to encourage village economic development. This study uses a descriptive qualitative method. The results of the study show the application of GCG principles in VOE governance as control and prevention of resource abuse which is manifested in the form of Standard Operational Procedures (SOP).

Keywords: Good Corporate Governance (GCG)-1; Governance-2; VOE-3

1 Introduction

Village-Owned Enterprises (VOE) is one of the efforts to boost the village economy through optimizing village-owned assets and wealth. Data from the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration of Indonesia shows that up to 2021, 43,908 VOEs and 2,989 Joint Village-Owned Enterprises (Joint-VOE) have been established in Indonesia. This number of VOE and Joint-VOE have employed more than 20 million people with a turnover of IDR 4.6 trillion [1]. These achievements are expected to effect the village economy improvement. However, Arifin *et al.* stated that the current positive development of VOE is considered unable to make a significant contribution to the village economy [2].

One of the reasons why the VOE's contribution to the village community economy is still not substantial is the low implementation of the management control system, such as the absence of standard operational procedures, unorganized planning and financial strategies, lack of performance measures, and poor management of employee performance incentives [3]. Apart from the aforesaid reasons, there are many other reasons including low management capabilities [4], conflict of interest between actors (village government, VOE management, and community) [5], and the use of local resources that were less than optimal [6]. All of the factors above show the VOE's inability to realize accountability and sustainability which illustrates VOE's weak governance [7].

To overcome these problems, it is essential to improve VOC performance management. The implementation of good corporate governance is the best way to improve VOE management quality that is expected will improve the VOE performance [8]. Good governance needs to be carried out in accordance with regulatory requirements related to the VOE implementation [9], and legalized in the form of official documents that have legal force [10] like Standard Operating Procedure (SOP) [11]. Widiatmaka and Wibawani, explain that in order to be able to boost the village economy through community empowerment, VOE needs to encourage institutional improvement itself, increase VOE business, and increase VOE income [12]. Some strategies that can be implemented to encourage the impact of the VOE program can require optimizing the use of capital including village funds, collaboration among business entities, developing human resources capacity, and optimizing the use of technology [13].

VOE Maju Mandiri is owned by Bejiharjo Village that is located in Gunungkidul Regency, Yogyakarta Special Region Province. The VOE Maju Mandiri has been running a business and has had social and economic impact on the village community. This study is trying to find the implementation of the basic principles of GCG (*Good Corporate Governance*) at VOE and examine the effect of governance on the performance of VOE Maju Mandiri in business development and its contribution to the village economy. The results of this analysis will then be narrated so that they can be included in the conception of good VOE governance and are expected to be replicated in other VOEs.

2 Methodology

This research used descriptive qualitative method. The case study was conducted in VOE Maju Mandiri in Bejiharjo Village to get a view of VOE governance. Case studies are conducted to obtain specific data and can bring up perspectives in a case. Data collection methods used in this study were conducted in a variety of data collection techniques, including interviews, observation in October 2022, collecting data website and regulation. This research analyzes the implementation of good corporate governance (GCG) principles to the management of VOE Maju Mandiri.

3 Result and Discussion

3.1 Governance of VOE Maju Mandiri

The VOE Maju Mandiri was established in 2016 through a village meetings forum. The development of this VOE was inspired by the results of the Bejiharjo Village Government visit to VOE Tirta Mandiri, Ponggok Village, Polanharjo, Klaten. The results of this visit became reference material in preparing the draft Statutes and Bylaws (AD/ART) which became a requirement for the establishment of a VOE. This AD/ART was then stipulated through Bejiharjo Village Regulation Number 6 of 2016 concerning the Establishment of the Bejiharjo VOE under the name "VOE Maju Mandiri".

In the management of VOE Maju Mandiri, the Village Government forms a supervisory body and operational team. The Oversight Body is jointly elected by the villagers through a village meeting mechanism. In accordance with article 24 of law number 6 of 2014, one of the principles of administering village governance is participation in village meetings as a form of good governance [14]. Meanwhile, operational executors are selected through a recruitment or

selection process. The selection of VOE operational executors is carried out based on a professional manner that is similar to the employee recruitment process in privately owned enterprises. For this reason, one of the selection stages is carried out in collaboration with Gadjah Mada University.

At the beginning, VOE Maju Mandiri had five business sectors, namely the tourism sector, the village market sector, the rental and EO sector, the savings and loan sector, and the waste management sector. Good management has helped VOE Maju Mandiri to build the business sector. Until 2022, VOE's business sector continues to develop experience such as tourism; rentals, EO, and marketplaces; waste management; trading; savings and Loan; and Bejiharjo Edu Park (BEP).

The management of existing business units of VOE is not only focused on receiving business profits, but also is expected to be able to encourage equal distribution of welfare in society through community involvement in the management of business units. As was done by VOE Maju Mandiri in the field of tourism business, VOE Maju Mandiri acts as the coordinator of the management of existing tourism objects. This can be done by encouraging the active involvement of tourism awareness groups (Pokdarwis) and small businesses around the tourist objects. Therefore, the role of VOE is a way to solve problems in inter-group conflicts that have occurred previously in the management.

The use of digital technology is also carried out by VOE Maju Mandiri through the official VOE Maju Mandiri website (www.bumdesmajumandiri.id). This website is used by VOE as a medium for transparency in the implementation of VOE activities and business operations. Website media has displayed important information, therefore better website management is still needed, especially in presenting report documents so that the desired goal of public transparency can be more optimal.

3.2 VOE Maju Mandiri Management based on GCG and VOE Principles

As a village-owned business entity, VOE management should be managed professionally by referring to a good business management approach. Management of VOE is explained in Government Regulation Number 11 of 2021 concerning Village-Owned Enterprises. This regulation explains the principles of VOE management, including being professional, open and responsible, participatory, optimizing local resources, and sustainable. In line with this regulation, Purnomo states that VOE principles include cooperative, participatory, emancipatory, transparent, accountable and sustainable [15]. Implementing the principles of VOE governance needs to be supported by the capabilities of the VOE management. The ability of the VOE management to understand the regulation of VOE and the use of information systems has a significant positive effect on VOE management accountability and VOE performance [16].

Implementation of VOE governance in the perspective of good corporate governance is very important in managing VOE [17]. The Ministry of Finance and the Ministry of State-Owned Enterprises of Indonesia define *good corporate governance* as a system that encourages the implementation of the principles of transparency, independence, accountability, responsibility and fairness in order to achieve the objectives of each party [18][19]. The GCG principles were in line with the VOE principles previously described. Adopting and implementing those principles for VOE can encourage VOE performance improvement.

The goal of GCG creates controlled regularity in order to encourage VOE development and prevent existing misappropriation of resources [20]. The better of VOE governance, the more benefits can be reached by village communities [21]. GCG practice is indicated by the existence of systems and documents that are used as a reference in the implementation of the management

of business entities. In simple terms, Standard Operational Procedure (SOP) provides an easy form of a document that outlines the VOE governance system. The application of good governance principles in VOE can be seen from the support of village funds as capital, community participation and transparency management in various media [22].

Implementation of VOE management and GCG principles in VOE Maju Mandiri can be seen in Table 1.

Table 1. The mapping of VOE Maju Mandiri governance

Principles	Implementation at VOE Maju Mandiri
Professional	The professionalism aspect is shown by recruitment of VOE staff based on the SOP and openly carried out that ensures the selected staff competence suitable with the VOE business
Accountable and responsible	VOE Maju Mandiri accountability can be seen from the existence of operational reports in the form of document and village forum mechanism
Participatory	Participatory aspects in VOE Maju Mandiri can be seen through the operation of the VOE business unit that involves community and SMEs in Bejiharjo Village
Optimization of local resources	VOE Maju Mandiri is oriented towards optimizing the natural and human resources
Independent	The independence of VOE Maju Mandiri can be seen from the ability in financial management that does not depend on capital participation from the village government
Sustainable	VOE Maju Mandiri can be utilized optimally at present and in the future.

Source: Saryanta, 2022 [23]

The table shows that VOE Maju Mandiri have implemented GCG principles, although not yet fully implemented. This has made VOE Maju Mandiri run well because it has adopted the GCG concept since its establishment. The good practices of GCG implementation in VOE Maju Mandiri could be references for other VOEs in term of the governance process to encourage good VOE performance that has made significant impact on social welfare.

4 Conclusion

In order to realize good VOE governance, there are at least five basic principles of GCG to be considered namely professional, open and responsible, participative, optimizing local resources, and being sustainable. The application of good governance principles in the management of VOE is necessary to control and prevent resource abuse. The basic principles of GCG are adapted by compiling SOPs as guidelines for VOE management. The implementation of GCG needs to be carried out from the very beginning of the VOE formation. Village forums are held to discuss the mapping of village potential, the appropriate business to develop into a VOE, determining the human resources for the VOE management, and expanding the business reach. The success of VOE in improving the village economy is the result of good governance practice.

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