

ECONOMIC INSTITUTIONS THROUGH VILLAGE-OWNED ENTERPRISE IN DEVELOPING COUNTRIES

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Abstract: This research aims to analyze the institutional organization of Village – Owned Enterprise through community empowerment and the role of Village – Owned Enterprise as a “law of village administration” or the economic activities of the enterprise in community empowerment. This research uses qualitative approach, with subjective and historical information, and case study strategy. The data are obtained by observation, documentation, physical device, and data transcription analysis. The data are organized, identified, coded, and validated using triangulation technique. The result of this research shows that the economic institutional organization benefits the business units, so it increases the community income. Village – Owned Enterprise functions like a “law of village administration” so it is able to support the village authority in achieving the prosperity of its people.

Keywords: *Economic Institutions, Village – Owned Enterprise*

1. Introduction

Village development aims to improve the prosperity and life quality of village residents, and to cut poverty by basic needs fulfillment, village infrastructure construction, local economic potential development, and sustainable utilization of natural and environmental resources (Undang Undang No. 6, 2014).

Local economic development has changed drastically, it shows the absence of meso-level institutions, sectoral and regional institutions, company investment response, and entrepreneurship. In terms of local development initiatives, a distinction is made between community economic development and business development; 1) facilitating household economics diversification as an important strategy of local and urban livelihood; 2) business development, seeks specialization of local economic base; 3) locality development, designed to create local public goods and positive externalities; 4) elaborating the main actors and their roles, emphasizing the importance of joint action and collective learning (Helmsing, 2003).

The existence of Village – Owned Enterprise can stimulate the re-emergence of village economic democracy through improvement of rural community on sustainable management of Village – Owned Enterprise, and the community participation. Village – Owned Enterprise is established to stimulate rural economy, to optimize asset benefits, to improve village economic potential management, to build market network, to create jobs, and to increase community income and village revenue. All of those purposes are expected to improve the prosperity of the community through public service, growth and distribution of village economy (Permendes. No. 4, 2015). The presence of Village – Owned Enterprise can make the village more independent and the community can be more prosperous (Nugrahaningsih, 2016). The Village – Owned Enterprise runs as its establishment objective and is able to help improving the economy of the

village. However, there are some obstacles in the management of Village – Owned Enterprise in several regions, such as the limited types of businesses being run, limited human resources to manage Village – Owned Enterprises and the low participation of society due to their lack of knowledge (Agung, 2016). According to the previous research studies of the accomplishment of community welfare in service and economic equality of villages through Village – Owned Enterprises, there is a constraint in its management so the further research is needed to be done with the aims of:

- a. Analyzing the institutional management of Village – Owned Enterprise through community empowerment
- b. Analyzing the role of Village – Owned Enterprise as a “law of village administration” or the economic activities of enterprise in community empowerment.

Village – Owned Enterprise is established to provide public services, to stimulate rural economy, and to improve the capacity of village government to achieve village autonomy. Public participates in village development by creating business opportunities and jobs, cuts poverty and unemployment in local level. Village – Owned Enterprise acts as an instrument of village autonomy strengthening by stimulating the initiative of the community to develop the village potential based on its capability and authority; as an instrument of prosperity by stimulating business opportunities and increasing the income of the village residents. The meaning of this study is to analyze the institutional village-owned enterprises for strengthening rural economy in Indonesia.

2. Literature Review

Structuring Organization (Organizing)

Organizing consists of four basic elements: Specialization, Standardization, Coordination, and Authorization which influence and support each other (Amir, 2006);

Institution

Institution is a legal framework or a group of natural rights that controls individual’s actions. On the other hand, it is defined as anything of additional value or criticism of classical or hedonic economics. Institution is even interpreted as anything related to “economic behavior”. Institution can be definitively described as behavioral regulations which are generally accepted by the members of social groups, for specific behaviors in specific situations, either self-monitored or supervised by external authority (Erani, 2013).

New institutionalism covers all the developing thoughts of institution in sociology field, consisting of:

- a. *Regulative pillars*, the objects of study are the rules and benefits of action. The regulative aspects especially come from the sociologists who concern about economic behavior that creates “rational change institutionalism”. These objects are related to rule setting, monitoring, and punishments.
- b. *Normative pillars*, the main object is norms in the society. Based on the definition, human behavior as an individual or a group is determined by the norms living in the society.
- c. *Cultural cognitive pillars*, the object is cultural knowledge of individuals and society. Using sociology perspective, the pillars are called social institution (Syahyuti, 2011).
- d. The object/institution pillars can be defined as a thing containing norms, regulations, and cultural cognitive pillars that provide guidances, resources, and obstacles for the actor (Mason, 2006).

Institutional theory describes dynamic governance within organizations. The cultural values, symbols and norms have organizational structure, they do not fully use management in social theory. On the other hand, they have been adjusted and mixed in order to fit the different explanation in governance and stakeholders (Kementrian Desa, 2016).

Village – Owned Enterprise as An Instrument of Village Economy Strengthening

Village – Owned Enterprise is an instrument of local economy utilization. Village – Owned Enterprise can improve the prosperity of the community through public service, growth and distribution of village economy. For the government, Village – Owned Enterprise can increase the Village Revenue, which is utilized to develop the village, empower the community, and provide assistance to the poor through grants, social assistance and revolving funds, and increase the income of the rural community (Mardikanto, 2013).

Community Empowerment

Empowerment is defined as an effort to fulfill the needs of individual, group, and community so that they are able to decide and control their environment in order to fulfill their needs, including the accessibility to the resource related to their job, social activity, etc (Robbins, 2003).

Empowerment is a personal and social process; a liberation of personal ability, competence, creativity and freedom of action (Creswell, 2014).

3. Research Method

This research uses qualitative approach, with subjective and historical information. Case study is used, considering the researcher investigates a program, event, activity, process, or group of individuals (Robert, 2002).

Data Source

The description of each data source of this research are as follows:

a. Location

This research is conducted at Tirta Mandiri Village – Owned Enterprise, community, and the government of Ponggok Village, Polanharjo, Klaten. This location is chosen with the considerations: (1) Tirta Mandiri is an example of village – owned enterprise which is able to develop and stimulate village economy and social activity of Ponggok residents. (2) The government of Ponggok Village, as the advisor of Tirta Mandiri Village – Owned Enterprise, is able to overcome the economic downturn.

b. Informant

Any information provider in qualitative research is called informant (Sugiyono, 2013).

Informants in this research are chosen based on their active participation in the community, capability in giving opinion, and willingness to be involved in the research.

c. Recording

The researcher utilizes recording in order to get a clear and permanent picture to support the research.

Data Collection Technique

Data collection technique consists of observation, interview, questionnaire, documentation, and triangulation (Sugiyono, 2013). Researcher uses data collection method to record research data with the following procedures:

a. Observation

Qualitative observation is an observation in which a researcher observes the behavior and activities of individuals in the research location directly (Robert, 2002).

b. Interview

Interview is a process of oral question and answer between two or more people directly. Qualitative interview. Qualitative interview is done either face to face with the participant, by telephone, or by focus group interview (Robert, 2002).

c. Documentation

Document study is the complement of observation and interview in a qualitative research (Sugiyono, 2013). The researcher uses document study that relates to the institutional development of Village – Owned Enterprise to achieve autonomy in community empowerment.

d. Physical Device

Physical or cultural device is the technology, instruments or tools, art work, or other physical evidences. Such device can be collected or observed as a part of field trip. Physical device has less potential relevance in the general case study (Patilima, 2013) The researcher uses video camera to record the activity of research object.

Data Analysis Technique

Data analysis in qualitative research is done in data collection stage, and after data collection stage in a certain period. In interview, the researcher has analyzed the answers of the interviewee. If the answer is not satisfying, the researcher will ask more questions, until in a certain level, credible data are obtained (Sugiyono, 2013). Qualitative validity is an examination of the accuracy of research results by applying certain procedures. The triangulation technique in this research are source triangulation and technique triangulation.

4. Research Results

a. Economic institutional organization of Village – Owned Enterprise for community empowerment.

The economic institutional organization benefits the business units or the subsidiaries of the Village – Owned Enterprise, so it increases the community income. The economic empowerment of Ponggok community for example:

- 1) Capital funding for the residents of Ponggok village who run business and require fundings.
- 2) Entrepreneurship training for the residents of Ponggok village who establish their business.
- 3) Entrepreneurship assistance for the residents of Ponggok village to stimulate productive economic activities such as opening foodstalls near the tourist spot.
- 4) Investment motivation for the residents of Ponggok village who wants to participate in the management of *Umbul Ponggok* (Ponggok Springs), with a profit sharing of 5-10 percent or 8 percent average in each month.

b. Economic institutional organization of Village – Owned Enterprise through human resource capacity improvement in Tirta Mandiri Village – Owned Enterprise, such as:

- 1) Explaining the vision, mision, and organizational culture to all members of Tirta Mandrii Village – Owned Enterprise.
- 2) Explaining the organizational structure, competence, and strategies to all members of Tirta Mandiri Village – Owned Enterprise.
- 3) Management process of Tirta Mandiri Village – Owned Enterprise, for example: planning, organizing, executing, funding, and controlling through technical training such as introducing, utilizing, conserving, and improving the quality of the service.
- 4) Developing the quantity and quality of the resources (human resource, financial, information resource, and infrastructure of Tirta Mandiri Village – Owned Enterprise.
- 5) Interaction of individuals within the organization of Tirta Mandiri Village – Owned Enterprise.
- 6) Interaction of entities within Tirta Mandiri Village – Owned Enterprise and the stakeholders in marketing access.

- c. Sustainability strategy in the structuring economic institution of Tirta Mandiri Village Owned Enterprise; Increasing the capital by publishing share certificates to stimulate the investment of Ponggok residents. Some of the income of Tirta Mandiri Village – Owned Enterprise are allocated to support the basic needs of the community such as health, social, and educational insurance, in order maintain the sustainability of the business. The assistance is given gradually to cover all residents. The village administration handles the management and distribution through village-own source revenue, in form of.
- 1) Health care, distributed in to 115 residents for the first phase.
 - 2) Educational assistance for poor students Rp 300,000,- per month
 - 3) Social insurance for the poor, elder, and orphans Rp 300,000,- per month
- d. The role of Village – Owned Enterprise as a “law of village administration” in community empowerment to achieve village autonomy. Tirta Mandiri Village – Owned Enterprise is able to support the village income, so the government can control the social activities of the community.

5. Conclusion

The economic institutional organization benefits the business units or the subsidiaries of the Village – Owned Enterprise, so it increases the community income.

Sustainability strategy in the structuring economic institution of Tirta Mandiri Village Owned Enterprise; Increasing the capital by publishing share certificates to stimulate the investment of Ponggok residents.

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