

## VILLAGE FUNDS, BUSINESS MODEL PREFERENCE, PARTICIPATORY APPROACH, AND ELITE CAPTURE IN TWO VILLAGE-OWNED ENTERPRISES IN BOGOR REGENCY

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**Abstract:** One manifestation of village community empowerment is the establishment of village-owned enterprises (*Badan Usaha Milik Desa*, BUMDesa). This study seeks to illustrate whether village funds dominate capital structure, how village head and villagers select business preferences, and whether elite capture phenomena probably occur in two BUMDesa in Bogor Regency. The results of the study show that village funds and government funding still remain the main source of BUMDesa's capital. In the selection of business sectors, one BUMDesa has adhered to a participatory principle while other BUMDesa still depends on the initiative of the village bureaucrats. The elite capture phenomenon possibly occurred at the implementation stage in one BUMDesa, as well as the planning stage at the other BUMDesa. There has been no indication of elite capture in reporting and accountability aspect of these two BUMDesa.

**Keywords:** *Business preferences, Capital structure, Elite capture, Participatory development, Village-owned enterprise, Village funds*

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### 1. Introduction

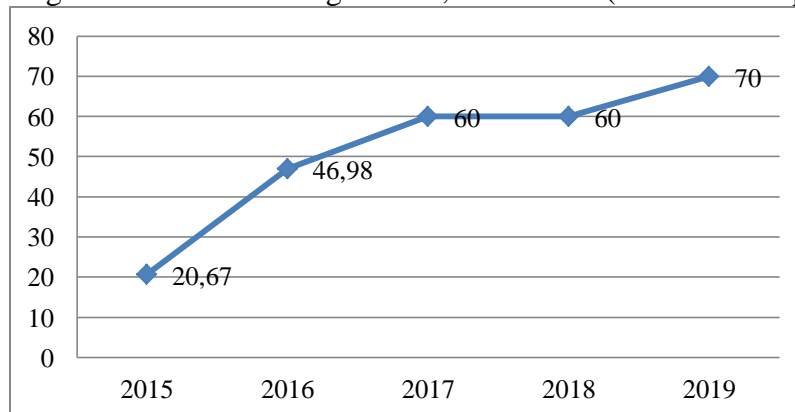
The concept of rural development started to appear in the 1950s marked with modernization, 'backward' agriculture, community development and dual economy (Ellis & Biggs, 2001). According to Boeke (Bonatti & Haiduk, 2014), the dual economy refers to condition that at the time economy sector which divided into two sectors, namely urban industry (manufacturing) and rural agriculture sectors. Manufacturing sector represents features of modern industrial economy, while agriculture sector, which is bigger in size, is surrounding the urban industry. Therefore, labor market is also categorized in the two parts, i.e. urban workers who have higher wages and rural jobs who have lower wages due to lower productivity. Then in the 1960s, the topics shifted to technology transfers to villages, mechanization, and agriculture development. Redistribution with growth, basic needs concepts, and integrated rural were introduced in the 1970s. Free market, non-government organization, public credit and poverty alleviation idea were popular in the 1980s. Micro credit, environmental and sustainability issues as well as initiative for poverty alleviation were introduced in the 1990s. The 2000s observed sustainable jobs for villagers, good village governance, decentralization, and thus critiques to participation, sectoral approach, social safety and poverty alleviation (Ellis & Biggs, 2001).

The timeline mentioned previously was similar to Indonesian experience. In 1999, there was Law Number 22 on Local Governments (which then amended by Law Number 32/2004) and Law Number 25/1999 (which then amended by Law 33/2004) on Fiscal Balance Between National and Regional Governments; which set decentralization in the aspect of socio-politic and finance. The spirit of decentralization was kept alive by issuance of Law 16/2014 on Village (which is onward called Village Law/*UU Desa*). In addition to establishes Ministry of Village, Development of Disadvantage Regions and Transmigration, the law also mandates Village Funds Allocation (*Alokasi Dana Desa*, ADD) should allocate minimum 10 percent of total transfer funds to regions. The ten percent is in addition to Village Funds (*Dana Desa*) which is directly allocated from national government. Furthermore, based on the law, village also has rights to arrange Village Budget (*Anggaran Pendapatan Belanja Desa*, *APBDes*) and also has a right to establish village-owned enterprise (*Badan Usaha Milik Desa*, *BUMDesa*) as stipulated in article 87 of the law.

While started in the Susilo Bambang Yudhoyono administration, village receives persistent attention under Joko Widodo administration. The attention was reflected in *Nawacita* in the third point, i.e. to develop Indonesia from the periphery by strengthening regions and villages in the context of unified country (Kementerian Keuangan, 2017). Targets for rural development policy in 2015-2019 also appreciated villages in which the government wanted to reduce number poor village from 26 percent in 2011 to 20 percent in 2019; and also reduce the number of poor villages by 5,000 villages or increase number of self-sufficient villages by 2,000 units.

In order to achieve the *Nawacita* target, the national government allocated substantial amount of funds in the form of Village Funds (*Dana Desa*). The allocation was started in 2015 as mandated by the law, when the central government allocated Rp20,67 trillion. The funds increased from year to year, and in 2019 a total of Rp257,67 trillion of Village Funds had been allocated. In the following years, the Village Funds was also being increased for village economic empowerment. Trend of Village Funds in the first five years could be seen in Figure 1.

Figure 1. Trend of Village Funds, 2015-2019 (in Trillion Rupiah)



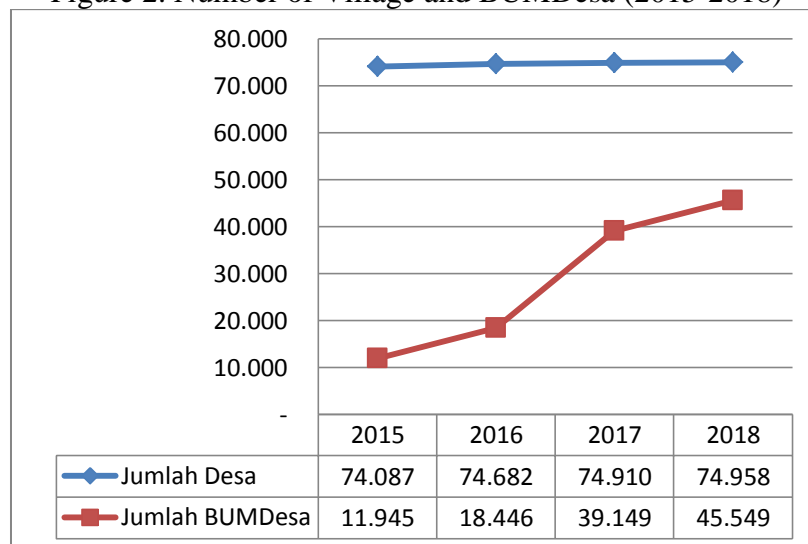
Source: Adapted from DG Fiscal Balance, Ministry of Finance (2019)

As stipulated in the law, village has a right to establish BUMDesa. Before enactment of the Village Law, establishing BUMDesa was regulated in the Law Number 32/2004 on

regional autonomy, i.e. article 213 sub article 1 which reads: "Village could establish a business entity based on its needs and potentials". The Ministry of Home Affairs then followed it up by issuing Permendagri Number 39/2010 on procedures to establish BUMDesa. The Village Law then emerged and the Ministry of Village, Disadvantage Regions and Transmigration (*Kementerian Desa PDTT*) to become national government representative to technically manage village; while administratively villages are still under the Ministry of Home Affairs.

While majority of Village Funds was initially disbursed for local infrastructures (Latetubun et al., 2021), BUMDesa is one of implementations of Village Funds in terms of community empowerment (Raharjo et al., 2017). As shown in Figure 2, quantity of BUMDesa (*jumlah BUMDesa*) increased dramatically in 2015-2018 and about 64-70 percent of total villages (*jumlah desa*) have BUMDesa. However, only very small fraction of the BUMDesa was categorized as advance, while majority was in the formation and developing stages (Warsono et al., 2018).

Figure 2. Number of Village and BUMDesa (2015-2018)



Source: Adapted from *Kementerian Desa PDTT* (2019)

BUMDesa is a business entity in the village level which could run micro business and managed by village businessmen (Naswar et al., 2019). As typical business entity, BUMDesa needs accountability and governance in order to operate as intended. A tool for managing accountability in BUMDesa is by means of implementing accounting (Rudini et al., 2016). In financial reports of a business entity, users could comprehend the capital structure of a business entity. According to Bhaduri (Modugu, 2013), capital structure refers to several alternatives used by a company to finance its assets. Design of capital structure is important to achieve company's financial health (Oktavina et al., 2018).

Unfortunately, issue of BUMDesa's capital structure has not been researched widely as shown in limited academic articles about the topic. Good management of BUMDesa is one step toward strengthening village revenues and village innovation for community welfare (Sofianto, 2020). Salawu and Agboola (2008) noted that capital structure receive great attention in the developed nations, while the issue obtain small consideration in the

developing nations, let alone in the BUMDesa discussion. Improper capital structure decision would hinder achieving business growth and could cause liquidity and solvability problems (Modugu, 2013).

In addition to capital structure, the choice of business field of BUMDesa is also very important. BUMDesa should focus on its village characteristics and potentials in allocating capital to the BUMDesa in order to achieve economic of scale. To select fields of business, BUMDesa should take into account unmet needs of local people, local resources in terms of village's assets, local resources in terms of people, and existing business entities in the village (Mariana & Sukasmanto, 2019).

Village funds and BUMDesa are two implementations of fiscal decentralization in order to alter people welfare. As a new idea, the fiscal decentralization will bring new processes and institutions. One of drawbacks of decentralization is potential for elite capture. The elite capture exists when groups or individuals in the community, which based on their economic, political, or social status, influence distribution of community resources and diverted to their individual or groups interests. This situation can be frequently observed in the government programs to help poor people (Sim et al., 2017). As a new institution and related to economic field, BUMDesa is prone to draw attention from some elites in the village since BUMDesa also has potential to receive money from village funds. Therefore, the BUMDesa could become a vehicle for power as well as new economic source (Firdaus, 2018).

As BUMDesa is not merely a business entity, the management of BUMDesa should use participatory principle. However, such participatory method could increase possibility of elite capture since the local elites may divert and hijack the good intended program to create and reinforce opportunistic rent seeking behavior (Platteau & Gaspart, 2003). There is good news, however, that elite control does not necessarily lend to elite capture. From case studies in poverty alleviation community driven development (CDD) projects in Indonesia, Dasgupta and Beard (2007) identify four factors responsible for elite capture, i.e. design of the project, existing community conditions, local capacity for collective action, and general political, economic and social contexts.

From previous literature, it is clear that capital structure, how to develop field of business and danger of elite capture are influential on developing BUMDesa. Therefore, this article aims at analyzing these factors on the development of two BUMDesa in the Bogor Regency, Jawa Barat Province. Development of BUMDesa in Jawa Barat Province has been very successful since the province has the third most numerous BUMDesa in Indonesia. In addition, the Bogor Regency was chosen as study location since the Bogor Regency as well as Jawa Barat Province in general has potential resources in terms of natural and people. The two BUMDesa were chosen since the two business entities were located in developed villages based on *Indeks Desa Membangun* (IBM) category.

## **2. Research Method**

The approach in this research is qualitative method in which actual incidents were transformed to become representation in the forms of field notes, interviews, conversation, recording, photography, or memo; and then the results were interpreted accordingly (Creswell & Poth, 2017). The approach was chosen since it enables researchers to involve in the research object. The qualitative method as a post positivism, the research inquiry contains significant dose of art (less patterned) and more interpretive on data found in the field.

Therefore, by using this method, researchers hope to understand BUMDesa from source person point of views, direct observation and experience of participants in the field (Sugiyono, 2016).

Data used in this research are primary as well as secondary sources (Sekaran & Bougie, 2016). Primary data is from results of in-depth interviews with resource persons which were implemented in March-June 2019. The interviews were categorized in two groups. In-depth interviews for the role of village funds, capital structure, and business field preferences were carried out to head of villages (R1), BUMDesa head (R2), head of BPD (village legislative, R3), resource persons in Ministry of Village and PDTT (R4), resource persons in Agency for Community Empowerment (*Dinas Pemberdayaan Masyarakat*) Bogor Regency (R5), and academics (R6, R7). In-depth interviews for elite capture phenomenon were carried out with head of villages (R1), BUMDesa head (R2), heads of BPD (village legislative, R3), academics (R6, R7), village secretaries (R8), and a researcher from SMERU Institute (R9). Names and positions of resource persons are concealed to ensure anonymity. Likewise, the names of BUMDesa are masked and coded with BUMDesa C and BUMDesa S which are located in Village C and Village S, respectively.

Furthermore, in addition to primary data, this research also used secondary data. The data is from village budget (*Anggaran Pendapatan dan Belanja Desa*, APBDes), village medium term plan (*Rencana Pembangunan Jangka Menengah Desa*, RPJMDes), accountability report of village funds (*Laporan Pertanggungjawaban Dana Desa*), BUMDesa financial reports (*Laporan Keuangan BUMDesa*) as well as journal articles, regulations, and news from mass media.

### **3. Results and Discussion**

#### **3.1. Village funds and capital structure**

Aspect of capital in BUMDesa is regulated in Permendesa PDTT Number 4/2015 in which all or majority of BUMDesa's capital is owned by village by direct placement from separated village's assets (*kekayaan desa yang dipisahkan*) to manage assets, services, and other businesses for maximum welfare of village people. A capital "majority" is defined as 60% from village and 40% from other sources. As resource person from Kemendesa PDTT said (R4, translation): "So never exist 51:49, the right one is 60:40. So capital from other sources maximum 40, the core 60% is pure fund from village or village's wallet. The rich people maximum still 40% in order no individual ownership. If 60% village it means BUMDesa is owned by village". A difference view is stated by a resource person from an agency in Bogor Regency (R5). She said that BUMDesa capital should be 51% from village and 49% from non-village sources. In the interview she said (R5, translation): "BUMDesa capital is 51% must be village owned. So, for example it borrows 50 million, so BUMDesa's capital from village must be 51 million".

As two resource persons have opposing views, confirmations were carried out from academics to ensure which percentage should be used. Resource person from academic (R6, interview, 2019) opined that we should follow views from Kemendesa PDTT in which percentage is 60% and 40%. In other occasion, other academic (R7, interview, 2019) stressed that since the percentage of capital is not regulated then detail percentage is determined by village discussion (*musyawarah desa*).

Sources of capital for BUMDesa could originate from two sources, i.e. fresh money invested to BUMDesa or inclusion (Dutch: *inbreng*) of assets in the forms of land, buildings, or other assets (R6, interview, 2019). The fresh money could also be categorized into two groups, i.e. fresh money included to a BUMDesa through village budget mechanism with issuance of village regulation (*peraturan desa*) and fresh money from local/community investments.

Specific regulations for capital structure of BUMDesa could be seen in Permendesa PDTT Number 4/2015 and Bogor Regent Regulation Number 79/2018 which state that two sources of capital, i.e. from village capital investment and local people investments. In reality, capital structure of BUMDesa S and BUMDesa C are dominated by village investments. In general, it was found that capital structures for the two BUMDesa depend heavily from fund allocation from central government and existence of village assets. BUMDesa S which was founded in 2010 did not use the village funds since the village funds started to disburse after Village Law and BUMDesa S was established before the Village Law was enacted in 2015. Different story was observed in BUMDesa C which used 100% of village funds for its capital structure. Existing assets in Village S and Village C made it easier for the two villages to use them to finance their BUMDesa.

BUMDesa S nearly every year receive additional capital from village budget (APBDes) and from local people. In 2014, community initiated to donate money Rp80 million for BUMDesa S for potable water project. The donation reflects spirit of togetherness and participation which has been existed in the BUMDesa. As mentioned previously and stressed by academic resource person (R6, interview, 2019), a BUMDesa should intensify sense of ownership among local community toward their BUMDesa.

Capital addition for BUMDesa is also determined by ingenuity of district office (*pemerintah kecamatan*) to provide information. Through district office, BUMDesa S in 2018 received aid for clean water project from Kemendesa PDTT amount Rp50 millions for procurement of home water pipe. Even in 2019 BUMDesa S received additional aid from Kemendesa PDTT amount Rp100 millions for additional clean water project. BUMDesa S has achieved operational independence. With net profits achieve above Rp100 millions in the last three years and annual turnover above Rp300 millions, BUMDesa S is ready to expand or diversity its business. As stated by head of village S (R1S, interview, 2019) the BUMDesa S in 2020 should be able to build 300 kiosks for village market and add sub-village (*dusun*) which receive clean water services.

BUMDesa C which was just established at the end of 2017 could not achieve what have been successfully recorded by BUMDesa S. Albeit eyes for independence, BUMDesa C depends heavily from village funds allocated by national government. One of indicators was budget allocation for hotel rent in which the money sourced from Village Funds. As BUMDesa depends predominantly on Village Funds, in the coming years community participation is expected to raise. With bigger community capital invested in BUMDesa, it is expected that community supervision toward BUMDesa will also rise and thus reduce possibility for inefficiency in the operation of BUMDesa. Inefficiency in BUMDesa could hamper its roles to improve people's welfare (Sidik, 2017).

### 3.2. Preference of field business

There are several views on how to define field of business. Process to define BUMDesa's field of business (*bidang usaha*) could follow policy or potential approach (R6, interview, 2019). Policy approach (*pendekatan kebijakan*) is applied when village government decides policy based on cost-benefit consideration and then gather villagers for approval in the village meeting (*musyawarah desa*). Encouragement from external village institutions such as ministry, provincial government, and regency government to establish BUMDesa may also include in policy approach. In contrary, potential approach stem from village government initiative to map village potentials, choose field of business which potent to provide future social-economics profits, and then finally to ask approval from villagers in the village meetings.

Mapping of village extent (*bentang desa*) could also be used to indicate preference for BUMDesa's field of business. Every village has its own characteristics where a traditional village may characterize very differently with a sub-urban village (R7, interview, 2019). Two characteristics are important: (1) natural extent, such as geography and natural resources, and (2) human extent. If a village does not have rich natural resources, it has to rely on its human resources to maximize its potential. Owning both natural and human resources is a blessing and very beneficial for BUMDesa development (R7, interview, 2019).

BUMDesa should consider its business model, i.e. a core cause how an entity create, deliver, and capture values (Osterwalder & Pigneur, 2010). BUMDesa should not only be built to receive and spend village funds, but also provide value added for community in order to sustain. Specific regulation for BUMDesa in Bogor Regent Regulation Number 79/2018 states that five considerations to establish BUMDesa are: (1) initiative from village government and/or villagers, (2) business/economic potential in village, (3) natural resource or assets in village, (4) human resources to manage BUMDesa, and (5) separated capital from village government in terms of financing or village property to BUMDesa's capital. Results of observations show that BUMDesa C and BUMDesa S both have fulfilled the five criteria.

In general, it is found in the field work that business field determination was based on village government initiative which then discussed in the village legislative (BPD). The practices are in line with existing regulations. Process to formulate village government initiative does not use scientific method because Village Potential Seeking Team (*Tim Penggalian Potensi Desa*, TPPD) only assess general potentials. Even in Village C, the TPPD team did not work properly and did not produce any recommendation to establish BUMDesa C (R1C, interview, 2019).

To systematically analyze village potentials, one can use business canvas model. The business canvas model include nine elements, i.e. customer segment, value proposition, channels, revenue streams, customer relationship, key activities, key resources, key partnership, and cost structure (Mariana & Sukasmanto, 2019; Osterwalder & Pigneur, 2010). For example, analysis of key activities in the Village S and Village C reveals information presented in Table 1. Based on potentials and needs, BUMDesa S has clean water pipeline and market; while BUMDesa C has sport facilities, a hotel, and a youth creative unit.

Table 1. Key Activities BUMDesa S and BUMDesa C

<i>Key Activities</i>	BUMDesa S	BUMDesa C
Offer product	1. Clean water	-

Solve problems	1. Absence of market 2. Need for clean water	1. Absence of sport facilities 2. Could not benefit from tourism potential 3. Absence of institution for youth creativity
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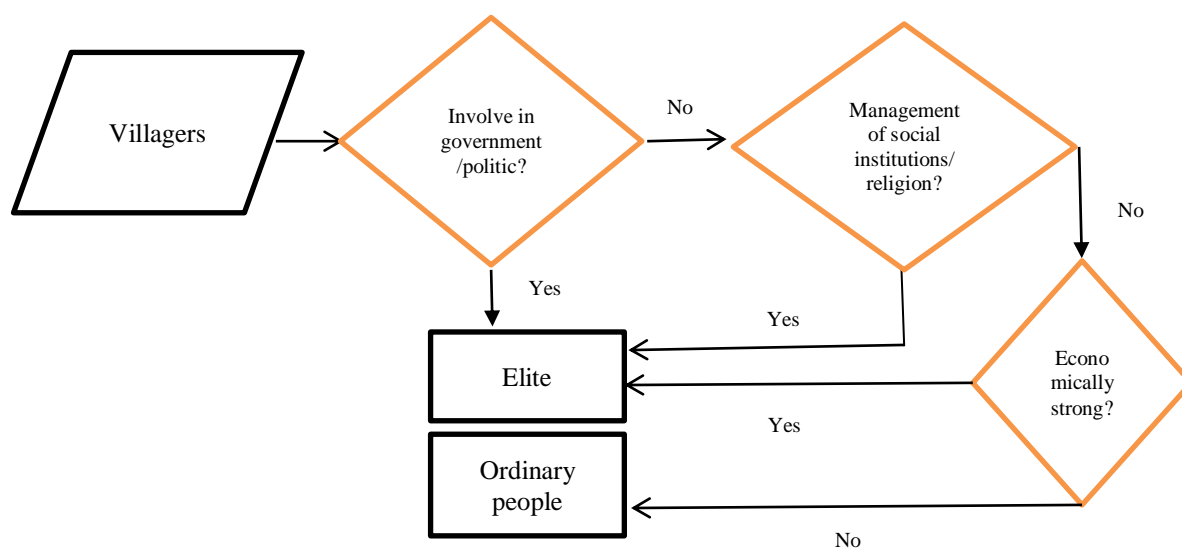
Source: Field observation and interviews (2019)

### 3.3. Elite capture

Village has different concept compared to the urban village (*kelurahan*), in which village has hybrid concept in village governance. The hybrid concept means that village government based on community and community participate in the government. When all decision making is dominated by village government (including BPD, Women Motivator Team/Tim Penggerak PKK, Community Assembly Body/*Lembaga Perwakilan Masyarakat*, Youth Movement/*Karang Taruna*, and other social institutions) it may indicate elite capture (R9, interview, 2019).

Existence of elite in a village is a natural phenomenon. Elite group could be defined as a status which differentiate them from common people, due to political structure by holding certain position or social status such as head of Village Social Institutions (*Lembaga Kemasyarakatan Desa*, LKD) such as PKK, Karang Taruna. In addition, the elite may also economically have assets as sources of income, such as paddy field owners, land lord, or having large agricultural fields in which they influence how village is operated and developed (R9, interview, 2019). Possible ways to identify elite group in a village is shown in Figure 3.

Figure 3. Elite group in village



Source: Processed from interview with R9 (2019)

Elite could also be categorized into old elite and new elite (Fritzen, 2007). Old elite refers to indigenous elite, old inhabitant who has been active and hold leadership role in community for a long time, usually old generation of government employee, teacher, military retiree, and soon. Meanwhile, the new elite refers to young elite who are educated and



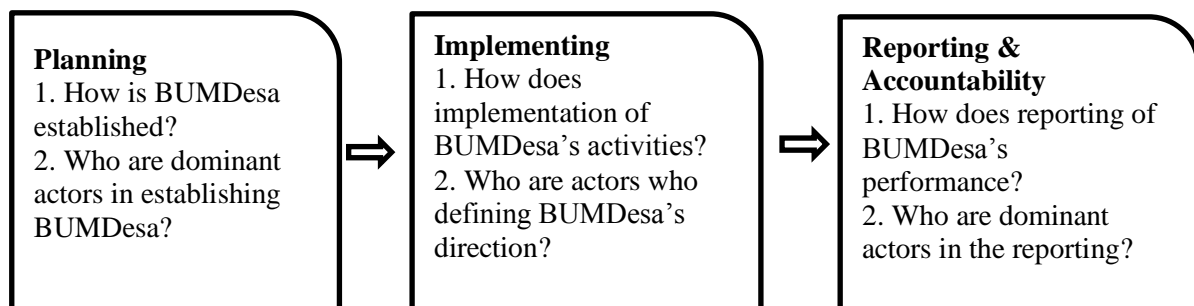
professional. They are ambitious figures who function as breaker for political, entrepreneur, bureaucrat and business group problems (Dasgupta & Beard, 2007).

Dominant influence of elite could be categorized into elite control and elite capture (Dasgupta & Beard, 2007). Elite control happens when local elite could control by contribute time and knowhow needed to facilitate and manage community based project (Dasgupta & Beard, 2007). In contrast, elite capture is a corruption which starts from planning (R6, interview, 2019). Therefore, elite could be planning a social project for their own sake, including BUMDesa which can be captured, as excerpt of interview with academic resource person (R6, interview, 2019, translation): “So elite capture means corruption [that] start from planning. One said from village figure. Not only that, meaning corruption potential starts from preparation. So, for illustration, the corruption is at the other end, start from here, from planning [it has been] already planned and designed, including this BUMDesa”.

Indonesian Corruption Watch used a term of local elite capture to illustrate increasing cases of corruption in villages in using Village Funds (ICW, 2017). Local elite capture refers to complete control of economic resources, in this case Village Funds, for personal benefits of village head and village apparatus, by manipulating or ignoring public participation as a mean of vertical supervision tool in village development planning (Tirto.id, 2017).

The phenomenon of elite capture would be discussed based on management phases from planning, implementing, reporting, and accountability. Regarding participatory program, planning should be interactive and collective reasoning process. Planner as a community servant build institutional power relationship (Pløger, 2001). Implementation refers to policy execution when policy formulary transforms into concrete policy (Santoso in Firdaus, 2018). Reporting is a process of tracking and communicating of work progress in an organization (Hughes, 2003). Accountability should be realized since BUMDesa as a public entity ideally has three fundamental characteristics, i.e. owned by village government, produce goods and services for sold, and received revenues relates to costs (Aharoni in Hughes, 2003). Illustration of channels for identifying elite capture in BUMDesa is shown in Figure 4.

Figure 4. BUMDesa’s Management Cycles



Source: Adapted from Hughes (2003)

In the planning aspect, BUMDesa S applied society participation. Its establishment was not solely based on village government’s initiative; in stark contrast with BUMDesa C where village head’s role was very dominant. Statements of resource person R3C on planning of BUMDesa C has been confirmed with village meeting contradicted with statement of R1C who said that study team did not approve to hotel rent business. Albeit did not receive

approval, R1C steadfastly implemented hotel rental as a BUMDesa's business. Agency of Village Community Empowerment of Bogor Regency played an important role in choosing the hotel even though a cancellation letter for capital participation had been sent. In addition, closeness between R1C with Village Youth Organization leadership could affect negatively in the sense that Village Youth Organization's aspiration tended to be heavily accommodated in BUMDesa. This practice is different with BUMDesa Argosari Pemalang Regency, Jawa Tengah Province where Village Youth Organisation and village head opposed each other (Firdaus, 2018). Actors which were influential in the planning phase and could trigger elite capture in planning of BUMDesa C were: village head, leaders of Youth Organization, and Agency of Village Community Empowerment of Bogor Regency. The elite capture is hypothetical in nature since hard evidence is needed; which is beyond scope of this article.

At implementation phase, BUMDesa S has been relatively good. Staffs' wage below Regional Minimum Wage (*Upah Minimum Regional*, UMR) indicated that management work still socially motivated. Operational hours of BUMDesa S also considered family aspect, where BUMDesa staffs were not expected to work in night shift. Monthly target reflected real condition as proved by fact that plan and realization in Village Budget (APBDes) was nearly similar all the time. Two groups became obstacles in BUMDesa S operation, i.e. Independent Cooperation Team (*Tim Kerjasama Mandiri*, TKM) who stole water and several people ex campaign team of village head who overdue water fee. BUMDesa C in its operation was more commercial due to a hotel unit which need serious business discipline in its operation. Target was set in order administrator were not being lazy and when target was not met, administrators could be fired. While Village Head C was quite strict, accompaniment to BUMDesa C was still be implemented. If BUMDesa C needed something, Village Head C was always be ready to facilitate. Therefore, actors which can trigger elite capture in BUMDesa S were Independent Cooperation Team (TKM) and several ex-campaign team of villager head who delayed to pay water contribution.

In reporting and accountability aspects, BUMDesa S was relatively good. Although its financial report only contained income and disbursements, its files were complete and stored in BUMDesa S. Its obstacle was no infographics on BUMDesa S accountability which can be freely accessed by villagers. Reporting and accountability were only presented in village meeting (*musyawarah desa*). BUMDesa C has not been issued annual financial report since it only started to operate fully in early 2019 and no document could be examined at the time of observation to detect possible elite capture. At the time of observation, no actor was identified as a trigger for elite capture in reporting and accountability in both BUMDesa S and BUMDesa C. If BUMDesa development has been advanced, community awareness would be naturally bigger since people tend to supervise institution which is financially big (R7, interview, 2019). Governments above village government (*pemerintah supradesa*) should encourage community participation to oversee BUMDesa since up to now supervision is largely implemented by the *pemerintah supradesa*. The bigger community participation in supervision, role of the *pemerintah supradesa* could be shifted to more substantial tasks (R9, interview, 2019).

#### **4. Conclusion**

This research aims to identify capital structure, field of business preference, participatory in development, and possible elite capture in two BUMDesa in Bogor Regency. The elite

capture was viewed in planning, implementing, reporting and accountability processes and alternative ways to minimize or eradicate elite capture.

The results show that capital is a substantial element in BUMDesa operation and minimum community participation was observed in capital participation of the two BUMDesas. In both BUMDesa S and BUMDesa C, capital was dominated (more than 90 percent) by village participation. Regulations issued by Ministry of Village and PDTT as well as by Bogor Regency Government have been accommodating a possibility of BUMDesa capital from other sources in addition to APBDes. In reality, however, majority of capital in both BUMDesa were dominated by village capital participation. BUMDesa S in 2013 implemented self-subsistent policy (*kebijakan swadaya masyarakat*) in terms of cash in efforts to increase service of Clean Water Facilitates Management Agency (*Badan Pengelolaan Sarana Air Bersih*). As for BUMDesa C which was only established in early 2018 did not receive capital participation from community and thus all capital was fully received from Village Funds which was allocated through village budget (APBDes).

In addition to capital structure, a good process to choose field of business is also important to ensure BUMDesa business sustainability. Based on observation and interviews, BUMDesa S and BUMDesa C were different in choosing their field of business. BUMDesa S has two businesses, i.e. village market and clean water provision. Both of businesses have been exist before BUMDesa was established in 2010 by a village regulation. BUMDesa S field of business was chosen based on bottom-up and followed participatory approach and accommodated community needs. On the other hand, BUMDesa C field of business tend to follow village government initiatives.

Observation and interview results also indicates the possibility of elite capture in planning and implementing phases of both BUMDesa. In BUMDesa S, possible elite captures were identified in operation of BUMDesa in which powerful actors were members of the *Tim Kerja Mandiri* (TKM) and several villagers as members of village head's campaign team. In contrast with BUMDesa S, elite capture potential in BUMDesa C possible existed in planning phase, especially in selecting field of business. Among three businesses BUMDesa C had at the time of observation, two of them (i.e. futsal field and graphic design) were youth organization (*karang taruna*) aspirations; while a hotel business was aspirations of village head and encouragement from Agency of Community Village Development, Bogor Regency Government. Head of BUMDesa C who was also activist of youth organization may play role in decision of business field. At the reporting and accountability processes, limited proof to claim existence of possible elite capture in the two BUMDesa.

Based on the results, several recommendations are proposed. First, regarding BUMDesa capital, village government and BUMDesa in general should focus on how to shift away from heavily dependent on Village Funds. From two BUMDesa in this case study, none of them did not be bold to seek finance from bank loan or capital investment from other stakeholders. As we can witness increasing allocation of Village Funds, it would be beneficial if the dependency of BUMDesa could be weakened since the allocation will decrease available funds for physical as well as human resource developments in the village. Even more meaningful if BUMDesa could contribute to increase own village revenue (*Pendapatan Asli Desa*, PAD) for supplement capital for village development. Furthermore, there existed different views between Ministry of Village and PDTT and Bogor Regency Government on capital proportion for BUMDesa. It would be better if there is special regulation on capital

structure proportion for BUMDesa, hence BUMDesa and village government find ways to fulfill ideal capital proportion.

Second, regarding selection of field of business, mapping and canvassing could be used as alternatives to choose potential BUMDesa businesses. Mapping could be done in both natural and human resources. The chosen business should be based on village its own initiative. Governments above village government (*pemerintah supradesa*) should only give general guidance and then village should choose its own field of business. Furthermore, to choose field business needs entrepreneurship analysis. If a village lacks of human resource who poses the skill, it may seek advice and consult to *supradesa* governments, experts, or academics.

Third, regarding participatory and elite capture, *supradesa* governments should encourage community to participate in supervision process and do not merely focus on village government. Community participation in supervision would increase substantial control while supervision to village government would focus on administrative aspect. If involving community, sense of ownership to village in general and to BUMDesa in particular could be expected to increase and will make supervision easier. For example, if there is training on BUMDesa, *supradesa* government should not only invite village government staffs and BUMDesa managers, but also common villagers; since sharing information is an effective way to mitigate elite capture (Platteau et al., 2014). As interview with an informant pointed out, academic community could share knowledge and expertise in developing BUMDesa. Synergy between government, community and university in a triple helix cooperation (Muljaningsih et al., 2018) could amplify positive impacts for village development in general and BUMDesa in particular.

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