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IMPROVING PUBLIC PARTICIPATION IN INNOVATION MANAGEMENT OF VILLAGE-OWNED ENTERPRISE: LESSON LEARNED FROM THE BEST VILLAGE-OWNED ENTERPRISE IN INDONESIA

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ABSTRACT

With trillion rupiah in support through the Village Fund, the number of village-owned enterprises (VOE) increased significantly and almost touched 50% of the total number of villages. However, there was an anomaly, when many VOE appeared with large income values, at the same time the economic disparity in the village community also increased (BPS, 2019). So it takes an explanation of how community participation related to the management of VOE. This research was conducted to address these key issues using a case study analysis approach to the management of VOE. This research uses a qualitative approach. Case study analysis was carried out at VOETirta Mandiri in Ponggok Village, Klaten, central Java, Indonesia. The VOE has an income of more than 5 billion per year and is considered the best VOE in Java. Data collection is planned through in-depth interviews and field observations. Interviews were conducted with VOE stakeholders (Village Government, VOE Managers, and Village Communities). Data collection was carried out in the period March to May 2019. The results according to the general view, VOE are still considered owned and controlled by the village government. However, the Ponggok Village Government tries to show efforts to reverse this notion by involving residents as parties who also have VOE. The mechanism provides an incentive structure for villagers in having a real VOE. By placing residents as beneficiaries as well as VOE owners, the Ponggok Village Government encourages villagers to be empowered either directly (reducing unemployment, increasing villagers' income, and developing micro-small businesses), or indirectly through the realization of village government social protection programs (Free Health Insurance, Educational Scholarships for Students, and Assistance for Older Citizens). Politically,

citizens are also empowered because they are placed as subjects of decision makers in managing shared resources democratically.

INTRODUCTION

The issuance of Law No. 6 of 2014 concerning Villages (Village Law) is a marker of the birth of a new round of Indonesia's development landscape. Centralized development in central government institutions is radically reduced (Antlov, H., Wetterberg, A., & Dharmawan, L., 2016). The direction of development shifted from cities to villages to borrow the term Harvey (2006). Shifting from Urban Development to Rural Development occurred. The Village Law above is considered as a form of commitment to efforts to strengthen village independence (Ariutama, 2018; Todaro, 2004). The paradigm that was initially ignored began to become the focus of the government and automatically became the mainline discussion of Indonesian scholars.

One of the important topics of the Law on Villages is the mandate for the development of Village-Owned Enterprises (VOE). VOE is an institution that is expected to be able to realize the independence of the village (Kusuma and Purnamasari, 2016) by becoming a driver of the rural economy. The government chose VOEs as one of the key solutions for village development (Raharjo, Yudanto and Ariutama, 2017; Solekhan, 2017). According to data from the Ministry of Village, Development of Disadvantaged Regions and Transmigration (PDTT) By the end of 2018, the total VOE reached 61% of the total 74,910 villages or around 45,549 VOE. According to the same data source, the PDTT Ministry claims that VOE has absorbed 1,074,754 workers in rural areas. Total turnover from all VOE reaches 1.16 Trillion Rupiah per year with a net profit of 1.21 Billion Rupiah per year (PPMD PDTT, 2018).

However, the increasing number of VOE with fantastic profits has negated the poverty reduction in rural areas. BPS 2018 data states that the poverty rate of the population in rural areas is still far greater than in urban areas. In September 2017, the percentage of rural poor reached 13.57 percent while urban poor were only 7.26 percent. BPS data for 2018 also mentions that inequality in rural areas increased from 0.316 in early 2017 to 0.320 in September 2017. Research from the Indonesian NGO Forum on Indonesian Development (INFID) shows that citizens' perceptions of rural inequality increased from 4.4 points in 2016 to 5.6 points in 2017 .

Ministry of Village, Development of Disadvantaged Regions and Transmigration (PDTT) at the end of 2019 stated that the value of the development index of villages, especially in disadvantaged areas, was still too low (Kompas, 6/11/2019). The lowest score is 12, and the highest score is in the range of 35, from a score of 0-100. To alleviate underdeveloped villages, the minimum value must be 50. This means that the development required by a significant increase in VOE has not been achieved.

The logic used in VOE is the World Bank's Community Driven Development (CDD) in the Urban Poverty Project (Platteau and Frederic, 2003). The main

concept supporting the legitimacy of CDD is Social Capital that was echoed since the Post Washington Concensus (PWC) era by Putnam (in Field, 2016). Putnam understood Social Capital first of all as an element that drives social organizations that include all forms of social policy, norms, a sense of trust and reciprocal norms plus social networks (Tania Li, 2012). The ideal picture expected from the Village Law above is still a debate in the community. Management of VOE based on social capital (collective action) in some aspects is not as smooth as imagined. The gap that continues to gaping becomes a sign of VOE management is not in accordance with the ideal picture of CDD. One indicator that is seen is the potential for conflicts to arise from VOE management is quite high (Todaro, 2018; Antlov, 2016). VOE management by involving the community directly is needed to smooth benefits and avoid conflicts.

LITERATURE REVIEW

Typology of approaches to building VOE

Sutoro Eko and the FPPD team (2013) classified 4 (four) typologies of approaches in building Village-Owned Enterprises and subsequently these typologies became the "spirit" of the regulation in PDTT Act. No. 4/2015 governing VOE. Typology is based on the sources and actors of initiatives to build VOE, namely: initiatives from the bottom (community) and from above (the government) as well as initiatives from within (the Village) and initiatives from outside (third parties such as donors, universities, NGOs and the private sector). The combination of the four sources of initiatives resulted in four types of initiatives

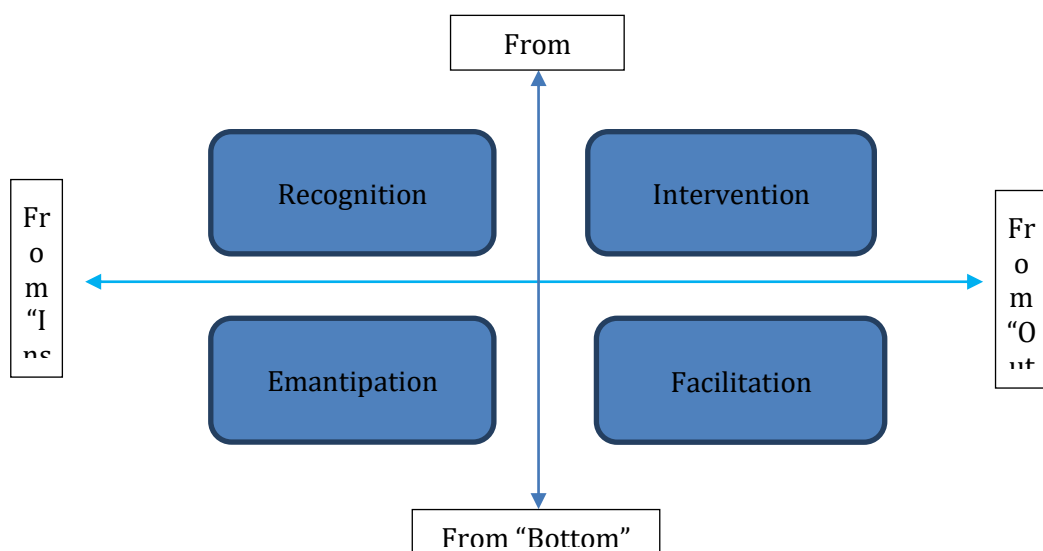


Figure 1. Topology of Initiative to Build VOE (Sutoro Eko, FPPD, et.al, 2013)

VOE Management conflict and community participation

Various conflicts arose in the management of VOE (Hakim, et al, 2018; Zulkarnaen, 2016; Afala, 2017; Anggraeni, 2017; Alfiyani, 2018; Merwijaya, 2017; Bambang, 2016). Several studies have shown that management problems arise because of conflicts between the interests of VOE managers and village elites (Firdaus, 2018). There is a conflict of interest both internally by the manager and with village officials which causes VOE not to be maximized. Meanwhile, according to Ariutama's research, et al (2018) the main problem lies in the institutional aspect that is not yet compatible with the objectives of VOE itself. According to him there are still overlapping interests between institutions in the regulation of VOE, especially between the Ministry of PDPT, the Ministry of Home Affairs, the Ministry of Cooperatives and SMEs, and banking institutions. (Ariutama, et al, 2018: 59. Another mainstream research is analyzing VOE problems in terms of institutional and governance implementation (Chintary and Lestari, 2016; Afala, 2017).

Most recently, a scientific forum was held to discuss the village entitled National Symposium "Initiating Village Government as the Direct Provider of Public Services for People's Welfare" held at Tidar University, March 1-2, 2019. The results of the debate in the symposium were recorded in the book "Organizing Villages: Flower of Thought" (Wibawa, et al., 2019). However, the problem being debated is only about institutionalism. New discussions about the function of village government from time to time, as well as analysis related to umbrella regulations. There is no analysis and explanation regarding community participation as a community that must be involved in the management of VOE. This article tries to give an example of VOE management which involves community participation in its management.

The framework of community participation according to Wilcox (in Mardikanto and Soebiato, 2015: 86) there are 5 levels as follows: 1) Provide Information: Providing the community is limited to delivering and receiving information from VOE management. 2) Consultation: offering an opinion, as a good listener to provide feedback, but not involved in implementing the ideas and ideas. 3) Deciding together (deciding together), in the sense of providing support for ideas, ideas, choices and, developing opportunities needed for decision making. 4) Acting together, in the sense of not just participating in decision making, but also involved and establishing partnerships in the implementation of its activities. 5) Provide support (supporting independent community interest) where local groups offer funding, advice, and other support to develop the agenda of activities.

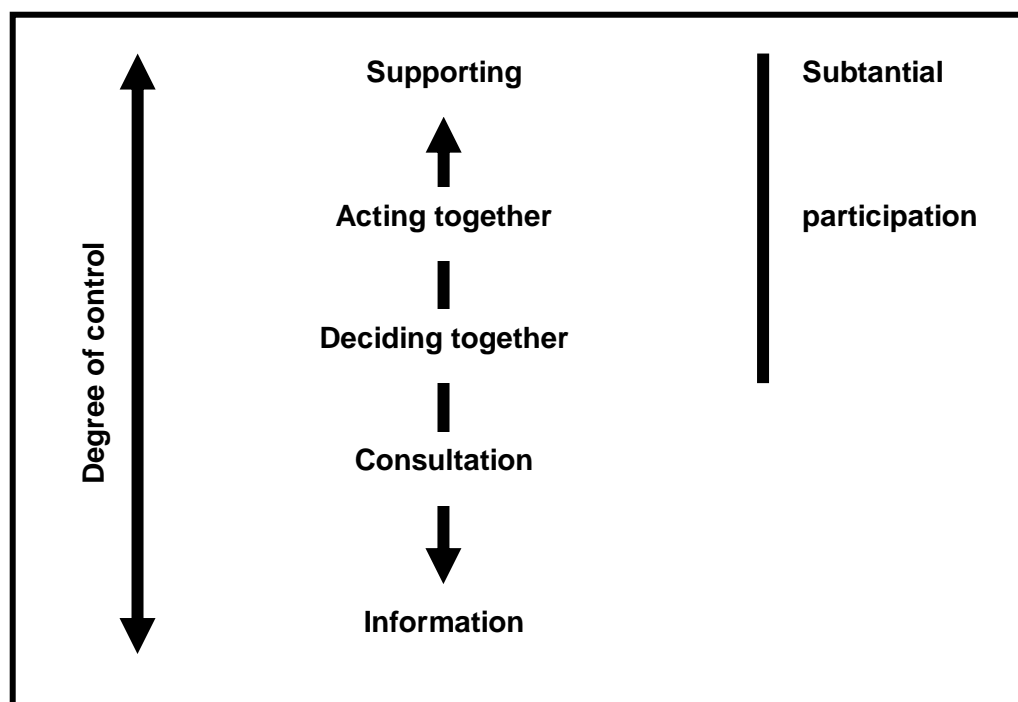


Figure 2. Level of Community Participation (Wilcox in Mardikanto and Soebiato, 2013: 86)

RESEARCH METHODS

This research is a qualitative research with a case study approach. The qualitative research was chosen by the author because (Alwasilah, 2011: 61) these methods are more easily adapted to diverse and interacting realities also considered more sensitive to all aspects and changes that affect each other that will be faced. According to Schwandt (in Creswell, 2007), qualitative research objectives generally include information about the main phenomena explored in the study, research participants, and research locations.

This research uses case study analysis. Craswell (in Haris, 2010: 76) states that a case study is a model that emphasizes the exploration of a "bounded system" in one case or several cases in detail, accompanied by in-depth data mining which involves various sources of information that are rich in context. Case studies are used to see community participation in developing VOE innovations. Analysis was performed on VOE Tirta Mandiri, Ponggok, Klaten. The VOE has an income of more than 5 billion per year and is considered the best VOE in Java by the PDPTT Ministry. Data collection is planned through in-depth interviews and field observations. Interviews were conducted with VOE stakeholders (Village Government, VOE Managers, Village Communities, Private and NGOs). The interview began with the village head of Ponggok then following this source interviewed by villagers and other actors involved in the management of VOE. Interviews with villagers not related to VOE were conducted to see the participation of villagers in the management of the VOE. Observation is intended to clarify information

collected through interviews. Data collection was conducted in the period March to May 2019.

RESULTS AND DISCUSSION

Community Participation in Management of the Best National VOE

Some VOE in Indonesia have good management, one of which is VOE Tirta Mandiri Umbul Ponggok, Klaten. Tirta Mandiri VOE in 2017 has been named the national winner in the management of the best VOE from the Ministry of PDPT. VOE Tirta Mandiri has experienced rapid development since the end of 2013. Only in a period of 4 years managed to get billions of rupiah in turn every year.

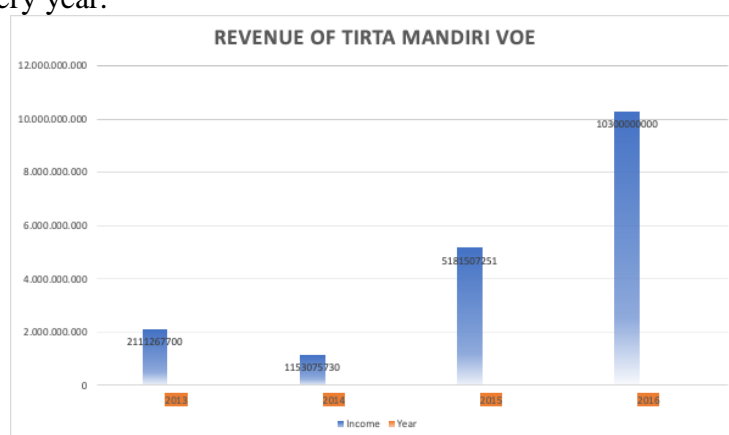


Figure 3. VOE Tirta Mandiri Revenue (primary data)

The author does not intend to over-grade the success of VOE Tirta Mandiri. Some experts claim that this success can be achieved because the village has abundant water resources and there is PT Tirta Investama (TIV) a company under the Danone multinational corporation that produces bottled drinking water under the Aqua brand. The company carries out water exploitation activities in one of the springs in the village of Pongggok, the Sigedang spring. The income of Ponggok Village starts from the company, which gets around Rp. 100,000,000 per month. Apart from that, we can take the positive side of VOE Tirta Mandiri management in terms of the community engagement scheme.

Of the various sectors developed, Ponggok Superior baths are the biggest turnover earners, namely 90% among other business units (interview, 6 June 2019). Before managing and revitalizing Umbul Ponggok VOE Tirta Mandiri village income which is quite small (a little) because it only developed a savings and loan business unit, clean water services, and rental of fish ponds from village-owned assets. Tirta Mandiri's VOE business sectors are: Tourism, Clean Water Management, Fish Pond Rental, Culinary Kiosk and Shop Rental, Car Rental, Saving and Loan.

Community participation in the process of managing Tirta Mandiri BUMDes according to the village chief of Ponggok uses a bottom up mechanism. Some aspects emphasized in participation are participation in planning the

implementation, participation in decision making, optimizing the role of women, and community empowerment (interview, 26 June 2019).

citizen investment / shares for residents

Villagers invest IDR 5 Million for individuals, while in each RW a total of IDR 40 Million, and for each person who belongs to the Umbul Ponggok management group before being managed by VOE Tirta Mandiri Village IDR 25 Million. Ponggok villagers who invest make a profit of 10% every month from the income derived by VOE Tirta Mandiri Village managing business units, one of which is Umbul Ponggok's baths. Besides being used to develop the Umbul Ponggok bathing business unit, investment funds from villagers are also used by VOE Tirta Mandiri Village to develop other business units, such as building village shops.



Figure 3. Stock Slots for the Community
Source: Primary Data

Based on data from VOE Tirta Mandiri Village, it is recorded that villagers investors amounting to Rp. 5 million each can be specified, as follows; RW 1 (58 people), RW 2 (46 people), RW 3 (69 people), RW 4 (60 people), RW 5 (44 people), and RW 6 (30 people). Investors from the Village Apparatus, BPD and BP each invested IDR 10 Million. Individual investors from the Umbul Ponggok bathing management group are Rp. 25 Million. Then, citizen investors (groups) from RW 1-RW 6 each invested IDR 40 million. The number of investors from Ponggok from 2014 to 2018 increased significantly, from 150 households in 2014 to 300 households in 2018 with a total investment fund of Rp 2 billion.

Interestingly, people who do not have the capital (money) for investment still have a chance. The village government facilitates people who do not have capital by establishing cooperation with banks. Village government as guarantor for community loans and institutions to banks with collateral of village assets and community assets. Community loans are used for community capital and institutions are invested in VOE. Proceeds from community and Institutional investments are used to pay bank instalments, pay community instalments to other parties if any, income or community income through dividends, and are used for village institutions' operations. The financing scheme can be seen in the following figure:

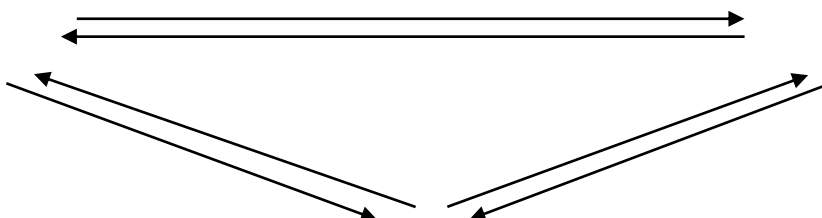


Figure 4. Scheme of cooperation financing between the village government and the Bank

Distribution of VOE business results

The mechanism of community involvement in the management process is investment sharing to investors, namely villagers. Based on the statute VOE Tirta Mandiri Village explained that what is meant by investors or financiers are parties who have capital to lend or invest. Capital is lent by investors by buying securities offered by issuers. Investors benefit in the form of dividends. The intended investors here are residents or organizations in Ponggok Village. In this AD / ART regulation what is meant for investment returns is a form of assets that are invested outside the VOE in the form of shares in order to obtain dividends in accordance with the percentage of investment value planted by investors. Dividends in question are derived from leasing buoys, snorkels, frog legs and cameras. Dividend value is regulated with the following conditions: (1) Dividend percentage distribution from leasing buoys, snorkels and frog legs as follows: (a) Owner 50%, (b) Maintenance costs and damage reserves 25%, and (c) VOE Cash 25%. Then, (2) the distribution of dividend percentages from camera rentals as follows: (a) Owner 45%, (b) Maintenance costs and damage reserves 30%, and (c) VOE Cash 25%.

Awarding superior programs

In addition to involving the community in VOE share ownership, the Ponggok village government has several excellent programs. The excellent programs from the VOE Ponggok results are: 1) Smart Card, Smart card is a program in the field of Education both formal and informal. The motto of the program is a home of one degree. By giving a "scholarship" to the community it is expected that the sense of ownership (participation) of the Tirta Mandiri VOE increases. According to a resource person (interview, 27 June 2019) the smart card program alleviates the burden of parents in financing children's tuition. 2) Health Card, The health card program is the commitment of the Ponggok Village government in providing health care guarantees. 3) Mother and Child Card, This program is similar to a health card, which provides basic health services free of charge. The difference is only in the mother and child cards focused on improving the quality of health and life expectancy of the mother and child. 4) Entrepreneur Card, This entrepreneurship card program is intended to increase the entrepreneurial spirit of the Ponggok community. This program provides financing in the form of capital to establish VOEs. The

village government cooperates with the Bank to provide capital facilities to the community, especially youth.

Various mechanisms are used by the Ponggok Village Government in order to increase community participation in the management of the Tirta Mandiri VOE. Tens of billions of proceeds from the VOE can reach the wider community of Ponggok Village. By participating in and enjoying the results of the VOE management, conflicts in the village did not occur. If there are problems, they can be resolved coercively because they feel that VOE is owned together. In the concept of Wilcox community participation framework (2016), the application in Tirta Mandiri VOE in Ponggok Village, Klaten has reached the stage of acting together and providing support. Acting together in the sense of not just participating in decision making but also involved and forming partnerships in the implementation of its activities. Provide support (supporting independent community interest) where local groups offer funding, advice, and other support to develop the agenda of activities.

CONCLUSION

The description of the mechanism of the VOE work in Ponggok Village in managing shared resources owned for community empowerment can be used as learning for other village governments who are or want to pioneer developing VOE. The policy of changing the model of village community empowerment approach in Indonesia using formal institutions is one of *Nawacita* priority programs and village development breakthroughs conducted by Joko Widodo-Jusuf Kalla's government (2014-2019). The change in the model was mainly oriented to reduce the problem of poverty at the village level by establishing and developing VOE after Law No. 6 on Villages was established. A fundamental breakthrough made by the government of Joko Widodo-Jusuf Kalla with Law No. 6 of 2014 is managing and utilizing shared resources at the village level for village empowerment using VOE. Unlike when the government before it, managing and utilizing shared resources for village empowerment used a community-based (group) approach.

In general view VOE are still considered owned and controlled by the village government. However, the Ponggok Village Government tries to show efforts to reverse this notion by involving residents as parties who also have VOE. The mechanism provides an incentive structure for villagers in having a real VOE. By placing residents as beneficiaries as well as VOE owners, the Ponggok Village Government encourages villagers to be empowered either directly (reducing unemployment, increasing villagers' income, and developing micro-small businesses), or indirectly through the realization of village government social protection programs (Free Health Insurance, Educational Scholarships for Students, and Assistance for Older Citizens). Politically, citizens are also empowered because they are placed as subjects of decision makers in managing shared resources democratically.

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