

Measurement of BUM Desa Development: A Literature Study

Emma Rahmawati Ministry of Village, Development of Disadvantaged Regions, and Transmigration, Indonesia
Isbandi Rukminto Adi Universitas Indonesia, Indonesia

Abstract

The growth in the number of BUM Desa (Village-Owned Enterprises) is increasing in line with the issuance of the Village Law. The number of BUM Desa, which currently reaches 47,717 units, should be appreciated. However, in light of its development, it is necessary to observe it from various sides, not only in terms of quantity but also in terms of quality. Therefore, it is essential to study how a conceptual review of the measurement of BUM Desa development. The purpose of this research is to carry out a literature study to determine the conceptual description of the development of BUM Desa. This study uses a non-systematic literature review method by exploring the literature and the results of previous studies related to the development of BUM Desa. The results of the study show that BUM Desa is a business entity that has the characteristics of a social enterprise, commercial institution, and local enterprise that form an integral part of the management of BUM Desa. Measuring the development of BUM Desa needs to consider these three characteristics in compiling its parameters and indicators. Therefore, BUM Desa can be said to be developing if it has succeeded in running social enterprises, commercial enterprises, and local enterprises. There is no standard in measuring the development of BUM Desa that can be used as a reference in general, so there are many different thoughts on the matter. Alternative parameters that need to be considered in measuring the development of BUM Desa include social value, civil society, innovation, financial perspective, customer perspective, business process perspective, growth and learning perspective, local potential and local wisdom.

Keywords

BUM Desa; Measurement of BUM Desa Development; Literature Study

INTRODUCTION

Development in Indonesia has so far resulted in inequality between urban and rural areas (Yesyca, 2018: 30; Alvaro & Octavia, 2019: 8). The disparity between urban and rural areas is caused by the bias and distortion of development that is leaning more on the urban economy (Syahza & Suarman, 2013: 126). In the long term, the development gap between these regions can have a negative impact on the social life of the community which will lead to a serious problem that must be resolved (Alvaro & Octavia, 2019: 8).

The improvement of welfare gives more impact on individuals who work in cities to stay living in the city, compared to individuals who work in villages to do the same thing (Warda et al., 2018: 16). This causes a reduction in human resources which leads to the lack of development in the villages (Harahap, 2013: 35). As the result, the rate of poverty will increase in the village. Based on this, many

things were done to support development in the village, one of which was the issuance of a Village Law.

Rural development has come to light since the issuance of Law No. 6 of 2014 on Villages. The existence of the Village Law marks the start of the distribution of village funds to villages by the government. Village funds are one of the ways to distribute welfare from a lower level. In the Village Law, the perspective and substance of development is not only physically oriented, which is in line with the developmental paradigm or social development approach which emphasizes the elements of equality and social justice or the improvement of the overall welfare of the population (Zastrow, 2010: 9; Midgley, 1995: 25; Adi, 2018: 304). Social development in rural areas is a development that is meant to explore the villages' potential to get the economic benefits that can give an impact and improve the welfare of the community.

Therefore, an approach that is suitable for this is the local economic development (LED) approach. The implementation of LED through village funds is through Badan Usaha Milik Desa/BUM Desa (Village-Owned Enterprises).

The Village Law encourages the growth of BUM Desa's in Indonesia. Since its appearance in 2015, an increasing number of BUM Desa's have been established. The growth of BUM Desa's in Indonesia has increased in number each year wherein 2014 there were only 1,022 BUM Desa's, then increased drastically each year until 2019 to 47,717 BUM Desa units (Kemendes PDTT, 2020). The growth in the number of BUM Desa is one of the opportunities for economic development in the villages. However, the development of BUM Desa is not merely on quantity, there is still something more important, which is the quality. A quality BUM Desa will have a significant impact on village development. There needs to be a concept regarding how to measure the development of BUM Desa in terms of quality. Therefore, the purpose of this research is to carry out a literature study to find an overview of the concept of measuring the development of BUM Desa. The author has done exploration and found several related works of literature that can provide an overview of how the development of BUM Desa is.

METHODS

This research is a literature study (literature review), which uses the literature review method based on literature exploration and the results of previous studies related to the concept of BUM Desa development as the main source. The literature and results of previous studies are in the form of research

journal articles, books, and regulations. This literature review begins with the process of identification, evaluation, and interpretation of all the literature obtained.

RESULTS AND DISCUSSION

BUM Desa (Village-Owned Enterprises) according to Permendes PDTT (Regulation of Ministry of Villages on Development of Disadvantaged Regions and Transmigration) Number 4 of 2015 is a business entity who's entire or most of its capital is owned by the village through direct participation originating from separated village assets to manage assets, services and other businesses for the maximum welfare of the village community. The objectives of establishing a BUM Desa include: 1) Increasing the village economy; 2) Optimizing village assets to be useful for village welfare; 3) Increasing community efforts in managing the economic potential of the village; 4) Developing plans for inter-village business cooperation and/or with third parties; 5) Creating market opportunities and networks that support the public service needs of citizens; 6) Opening up employment opportunities; 7) Improving community welfare through improved public services, growth, and economic equality in the village; and 8) Increasing village community income and Village Original Income. The types of BUM Desa businesses are classified into social business, equipment rental business, brokering, produces business and/or trading goods, financial business, and joint ventures (holding).

BUM Desa is an example of a business entity that has hybrid (economic and social) characteristics and is following the social enterprise concept. BUM Desa is an economic

Table 1. Development Parameters of BUM Desa

Management Dimension (6 Indicators 25 Variables)	Social Dimension (4 Indicators 5 Variables)	Economy Dimension (7 Indicators 10 Variables)	Environment Dimension (1 Indicators 2 Variables)
Man	Poverty	Contribution	Environment
- BUM Desa Management Education - Knowledge and Skills of BUM Desa Managers - Management Regeneration - Initiator	- PMKS (people with social welfare problem) Community Empowerment - Social Contribution to PMKS	Contribution to PADes (Local Own-source Revenue)	- Environmental pollution - Environmental Conservation
Money	Health	Efficiency	
- Finance report - Origin of Capital - Financial Reporting Application - Supervision	Contribution to health	Target Profits	
Machines	Education	Competitiveness	
- The existence of the BUM Desa office - Business Land Status (Place of Business) - Availability of Operational Vehicles - Office Equipment Facilities - Production Equipment Facilities - Internet Network Facilities	Contribution to community education	- Market Network - Partnership (BUM Desa Cooperation) - Product uniqueness	
Methods	Community Participation	Value Added	
- Completeness of AD/ART (Article of Association/bylaws) documents - System (AD/ART, Village Laws, regulations, business feasibility analysis, capital) - SOP support - Recruitment of BUM Desa Managers - Performance Allowances/Incentives - Employee Discipline - Administration Management - Manager communication	Community support and participation	- Profit/Benefit of BUM Desa - Duration of BUM Desa to Get Profits	
Materials		Growth	
Ease of getting raw materials for business		Increase the number of business units	
Market		Stability	
Business Sustainability		- Salary for BUM Desa managers - BUM Desa debt - Tax	

Source: Warsono et al. (2019).

business entity that needs to balance (trade-off) efficiency and profit with the social mission that is its goal (Widyastuti et al., 2019: 266). Muammar Alkadafi (2014: 36) previously also

revealed that from the perspective of institutional function, the BUM Desa, which is a pillar of economic activity in the village, is for a social and commercial institution. BUM Desa

as a social institution contributes to the necessities of the community by taking part in providing social services. Meanwhile, as a commercial institution, it aims to seek profit through the supply of local resources (goods and services) to the market. In addition, BUM Desa is also included in the local enterprise. This is because BUM Desa has main characteristics that differentiate it from other commercial institutions, including BUM Desa owned by the village and managed collectively, business capital can come from the village and the community, the operation of BUM Desa uses a business philosophy rooted in local wisdom, as well as the line of business being carried out based on the potential of the village (Alkadafi, 2014: 37). Based on the concepts above, it can be said that BUM Desa is a business entity that has the characteristics of a social enterprise, commercial institution, and local enterprise that form an integral part of the management of BUM Desa.

Measuring the development of BUM Desa by Warsono et al. (2019) built a measurement of the development of BUM Desa (Table 1) by collaborating several theories which were later derived to measure the development of BUM Desa, theories used include Sustainable Development Goals, Human-Centered Development, Management, Law Number 6 years 2014 on Villages (Articles 87, 88 and 89), and Permendesa PDTT (Regulation of Ministry of Villages on Development of Disadvantaged Regions and Transmigration) Number 4 of 2015 especially regarding the purpose of establishing BUM Desa. Based on this, 4 dimensions, 18 indicators, and 42 variables can be used to measure the development of BUM Desa.

The results of the calculation of the parameters above, categorize the level of development of the BUM Desa divided into 3 levels with the following criteria:

a. BUM Desa Formation:

- The management dimension is weak
- Requires the role/policy support of the Village Head and Village Officials
- There are role models as volunteers for all activities
- Requires increased cooperation and community will

b. Developing BUM Desa:

- The management and economic dimensions need to be strengthened
- The role of the village apparatus does not dominate
- There are role models as volunteers for all activities
- There is access to capital
- Availability of superior products
- There is a partnership that runs normatively

c. Developed BUM Desa:

- Strong management, economic and social dimensions
- There are role models as volunteers for all activities
- Partnership runs normative
- There is access to capital and routine benefits

The measurement of the development of BUM Desa by Widiastuti et al. (2019) (Table 2) refers to the six principles of BUM Desa according to Purnomo (2016) which was later derived based on a literature review and related regulations as well as input from FGDs conducted with BUM Desa's. Measurement of

Table 2. Development Parameters of BUM Desa

Transparency (16 indicators)	<ol style="list-style-type: none"> 1. Check and balance mechanism in the management of BUM Desa 2. The system for selecting managers of BUM Desa and BUM Desa business units 3. Infrastructure and assets procurement mechanisms 4. Asset management mechanism 5. Financial management mechanisms for various sources of income 6. Standard cost 7. Staff selection system and mechanism 8. Performance appraisal system and mechanism for managers 9. Remuneration system for managers 10. Performance-based reward and punishment system 11. Accountability mechanism for BUM Desa managers (finance, performance, and business development) 12. The mechanism for BUM Desa equity participation and outside investment cooperation 13. The mechanism for the use and profit-sharing of BUM Desa 14. Monitoring and evaluation mechanisms 15. Business legality/business unit 16. BUM Desa financial reports that can be accessed by the public
Accountable (22 indicators)	<ol style="list-style-type: none"> 1. The direction and strategic policies of BUM Desa 2. AD and ART (Article of Association and bylaws) BUM Desa 3. Direction and Strategic Policy of BUM Desa 4. Business plan documents 5. 5-year strategic plan 6. Annual Workplan 7. Standard measures, achievements, and financial targets (Revenue and Expenditure Budget Plan) 8. SOP for managers and employees 9. SOP for the main activities of BUM Desa 10. SOP for customer service 11. SOP for financial recording (income and expenditure) 12. SOP for management of accounts payable 13. SOP for inventory management 14. SOP for the use and management of fixed assets 15. SOP for payroll management 16. SOP for equity participation 17. SOP for the preparation of financial statements 18. SOP for monitoring and performance evaluation 19. Internal control system 20. BUM Desa financial reports periodically 21. Computer-based accounting system 22. Verification of BUM Desa financial reports by supervisors
Cooperative (3 indicators)	<ol style="list-style-type: none"> 1. The cooperation mechanism between BUM Desa and other parties in business development 2. Complaints and conflict and problem resolution mechanisms 3. A mechanism for implementing social responsibility to the community
Participative (3 indicators)	<ol style="list-style-type: none"> 1. The establishment of a BUM Desa was agreed upon through the village deliberation by involving village officials, community leaders, youth, et al, farmers associations, business actors, and other figures. 2. The selection of the type and business unit of the Village-owned Enterprise receives input from village officials, community leaders, youth, et al, farmers associations, business actors, and other figures 3. Community participatory mechanisms in business development
Emancipative (4 indicators)	<ol style="list-style-type: none"> 1. Prioritizing professionalism (competence, track record) in the selection of management and recruitment of BUM Desa employees / BUM Desa business units 2. Equal opportunities for the community to access activities, information about BUM Desa 3. Providing reasonable services to any party 4. Equitable information dissemination to the public
Sustainable (5 indicators)	<ol style="list-style-type: none"> 1. Survey of community needs 2. Obtaining feedback from BUM Desa stakeholders (consumers, suppliers, communities) 3. Ways (efforts) to avoid conflict of interest 4. Revised business development plans 5. Protection of the impact of BUM Desa activities on the environment

Source: Widiastuti et al. (2019).

the development of the BUM Desa that is built
is 6 parameters and 53 indicators.

The results of measurements with the
parameters and indicators in Table 2 shows 5

levels of BUM Desa development with the
criteria shown in Table 3.

According to Suryanto (2018: 9-11),
the establishment of BUM Desa is not intended

Table 3. Development Level of BUM Desa

Classification	Revenue/Year	Number of employees	PADes donation	Social assistance
Startup	0-360 million	0-30	0-30 million	0-3 million
Developing	361 million-4.8 billion	30-100	31-400 million	3-40 million
Sustaining	4.8 billion-12 billion	100-200	401 million-1.2 billion	40-120 million
Developed	12-60 billion	200-400	1.2 billion-6 billion	120-600 million
Established	>60 billion	>400 people	>6 billion	>600 million

Source: Widiastuti et al. (2019).

to get the maximum profit but for the welfare of the village community. Therefore, the success of BUM Desa needs to be measured using special measures, namely financial (profit) and non-financial (benefits) achievements. The development of BUM Desa is measured using 4 parameters, including:

- a. Revenue
- b. Number of employees
- c. PADes (Local Own-source Revenue) donation
- d. Social assistance that BUM Desa can afford to provide to residents

The results of parameter measurement resulted in five levels of BUM Desa development with the following criteria (Table 4).

Measurement of BUM Desa Development in Regional Regulations (Bogor Regent Regulation Number 79 of 2018). Parameters and indicators used in measuring the development of BUM Desa in Bogor Regency are as follows:

- a. Institutional (6 indicators):
 1. The process of establishing a BUM Desa
 2. Organizational structure
 3. Management
 4. Main Duties and Functions
 5. Cooperation
 6. Work program
- b. The legality of BUM Desa
- c. BUM Desa business (3 indicators):
 1. Business unit
 2. Market

3. Sustainability
- d. Administration, reporting, and accountability (3 indicators):
 1. Bookkeeping
 2. Reports
 3. Accountability
- e. Capital and Assets (3 Indicators):
 1. Capital
 2. Inventory
 3. Assets
- f. Impact of BUM Desa on village communities (3 indicators):
 1. Economic impact
 2. Social impact
 3. Impact on village development

Based on scoring results of these parameters and indicators, 4 (four) categories of BUM Desa development levels are grouped into:

- a. Starting BUM Desa: Score 25-49
- b. Developing BUM Desa: Score 50-64
- c. Developed BUM Desa: Score 65-75
- d. Independent BUM Desa: Score 76

Based on the measurement of the development of the BUM Desa above, each reference has several similarities and differences in measuring the development of BUM Desa. However, from the four references above, it is illustrated that the BUM Desa measurement does not only measure the internal BUM Desa but also measures how the BUM Desa can have an external impact on

Table 4. BUM Desa Development Level

Classification	Revenue/Year	Number of employees	PADes donation	Social assistance
Startup	0-360 million	0-30	0-30 million	0-3 million
Developing	361 million-4.8 billion	30-100	31-400 million	3-40 million
Sustaining	4.8 billion-12 billion	100-200	401 million-1.2 billion	40-120 million
Developed	12-60 billion	200-400	1.2 billion-6 billion	120-600 million
Established	>60 billion	>400 people	>6 billion	>600 million

Source: Suryanto (2018).

itself. If you look back at the conceptual characteristics, then BUM Desa needs to see its development as a social enterprise, commercial institution, and local enterprise. In the reference above, the measurement of BUM Desa still mostly refers to commercial institutions and social enterprises. The social enterprise also measures the social impact of BUM Desa but not yet on how BUM Desa can empower local village communities to be involved in its management. The measurements that lead to BUM Desa as a local enterprise have not yet been seen, such as a business that manages the existing potential in the village, or a business that develops superior village products, and others. Therefore, it is necessary to have measurements that can complement it to achieve the BUM Desa's development goals expected in PermenDesaPDTT (Regulation of Ministry of Villages on Development of Disadvantaged Regions and Transmigration) Number 4 of 2015.

The results of BUM Desa development levels' measurement also shows different perspectives, there are 3 levels, 4 levels, and 5 levels. This shows that there is no standard in measuring the development of BUM Desa that can be used in general. With that, this research tries to provide an alternative measurement of the development of BUM Desa based on the previous research above combined with the concept of social enterprises, commercial institutions, and local enterprises.

A social enterprise or social entrepreneurship is an organization or company that uses a commercial strategy to improve financial, social, and environmental well-being to maximize profit as well as the impact on every element involved in its business. In the social enterprise concept, there are four main elements, namely social value, civil society, innovation, and economics. Social value is creating real social benefits for the community and the environment. Civil society is derived from the initiative and participation of civil society by optimizing existing social capital in the community. Innovation is something carried out in solving social problems in innovative ways, among others, by combining local wisdom and social innovation. Meanwhile, economic activity is a balance between social and business activities that are developed to ensure the independence and sustainability of the organization's social mission (Hulgard, 2010).

Commercial institutions are institutions that are financed by profits or benefits from their activities (Nainggolan, 2012). For example, a company that operates for a profit through the products it produces or the services it provides. The characteristics of the company include: the purpose of its establishment is to pursue profit, the focus of its activities is revenue creation, the focus of the company is how to produce goods and services that sell well in the market. Meanwhile, a good company performance appraisal uses

an integrated perspective, namely financial perspective, customer perspective, business process perspective, and growth and learning perspective called the Balanced Scorecard (BSC) method. According to Kaplan and Norton (2000), these four perspectives are interrelated, and later on, it will help to improve organizational performance (Febrianto, 2016).

Based on the concept analysis above, the four elements of social enterprise need to be made as parameters in measuring the development of BUM Desa. Then, looking at the four perspectives of organizational performance in commercial institutions, it can be included in one of the elements in a social enterprise, namely economics. After that, it is combined with the concept of a local enterprise, which has the main characteristic of using a business philosophy rooted in local wisdom with the business being run based on the potential of the village. Therefore, alternative parameters that can be used to measure the development of BUM Desa include social value, civil society, innovation, financial perspective, customer perspective, business process perspective, growth and learning perspective, local potential and local wisdom.

CONCLUSION

Based on the results of the study, it was found that BUM Desa is a business entity that has the characteristics of a social enterprise, commercial institution, and local enterprise that form an integral part of the management of BUM Desa. Measuring the development of BUM Desa needs to consider these three characteristics in compiling its parameters and indicators. Therefore, BUM Desa can be said to

be developing if it has succeeded in running social enterprises, commercial enterprises, and local enterprises.

There are various perspectives in measuring the level of development of the BUM Desa. This shows that there is no standard in measuring the development of BUM Desa that can be used in general. Alternative parameters that need to be considered in measuring the development of BUM Desa include social value, civil society, innovation, financial perspective, customer perspective, business process perspective, growth and learning perspective, local potential and local wisdom.

REFERENCES

- Adi, I. R. (2018). *Kesejahteraan sosial: pekerjaan sosial, pembangunan sosial, dan kajian pembangunan: suatu pengantar*. Rajawali Pers
- Alkadafi, M. (2014). Penguatan Ekonomi Masyarakat Melalui Pengelolaan Kelembagaan Badan Usaha Milik Desa Menuju Asean Economic Community 2015. *Jurnal El-Riyasah*, 5(1), 32-40.
- Alvaro, R., & Octavia, E. (2019). Desa Digital: Potensi dan Tantangannya. *Buletin APBN*, 4(8).
- Febrianto, A. (2016). Analisis Pengukuran Kinerja Perusahaan dengan Metode Pendekatan Balanced Scorecard (Studi Kasus Pada Koperasi Simpan Pinjam (KSP) Lohjinawe Rembang). *Jurnal Ilmu Administrasi Bisnis*, 5(3), 88-107.
- Harahap, F. R. (2013). Dampak urbanisasi bagi perkembangan kota di Indonesia. *Society*, 1(1), 35-45.
- Hulgard, L. (2010). Discourses of social entrepreneurship—Variations of the same

- theme. *EMES European Research Network*, 10(1), 2-21.
- Kaplan, R. S., & Norton, D. P. (2000). Having trouble with your strategy? Then map it. *Focusing Your Organization on Strategy—with the Balanced Scorecard*, 49.
- KemendesaPDDT. (2020). Data Perkembangan BUM Desa.
- Midgley, J. (1995). *Social development: The developmental perspective in social welfare*. Sage.
- Nainggolan, P. (2012). Manajemen keuangan lembaga nirlaba. *Jakarta: Yayasan Bina Integrasi Edukasi*.
- Suryanto, R. (2018). Peta jalan BUMDES sukses. *Yogyakarta: PT Syncore Indonesia*.
- Syahza, A., & Suarman, S. (2013). Strategi pengembangan daerah tertinggal dalam upaya percepatan pembangunan ekonomi pedesaan. *Jurnal Ekonomi Pembangunan: Kajian Masalah Ekonomi dan Pembangunan*, 14(1), 126-139.
- Warda, N., Nurbani, R. I., Elmira, E., Izzati, R. A., Rizky, M. (2018). Dinamika Ketimpangan dan Penghidupan di Perdesaan Indonesia, 2006-2016. *Jakarta: The SMERU Research Institute*.
- Warsono, S. H., Slamet, R. T. S., Danarti, Agustin, C. A., Rahmawati, E., Sukarno, T. D., Siregar, N. A.M. (2019). Indikator Perkembangan BUM Desa. *Jakarta: PT. Sulaksana Watinsa*.
- Widiastuti, H., Putra, W. M., Utami, E. R., & Suryanto, R. (2019). Menakar tata kelola badan usaha milik desa di Indonesia. *Jurnal Ekonomi dan Bisnis*, 22(2), 257-288.
- Yesyca, M. (2018). Percepatan Pembangunan di Empat Daerah Tertinggal di Jawa Timur: Perspektif Feminis. *Jurnal Inada: Kajian Perempuan Indonesia di Daerah Tertinggal, Terdepan, dan Terluar*, 1(1), 26-54.
- Zastrow, C. (2009). *Introduction to social work and social welfare: Empowering people*. Nelson Education.