

# Optimizing the Village Business Entity Management Using the Budget Structure

**Apriwandi<sup>1</sup>**

Widyatama University, Indonesia  
[apri.wandi@widyatama.ac.id](mailto:apri.wandi@widyatama.ac.id)

**Erly Sherlita<sup>3</sup>**

Widyatama University, Indonesia  
[erly.sherlita@widyatama.ac.id](mailto:erly.sherlita@widyatama.ac.id)

**R. Wedi Rusmawan Kusumah<sup>5</sup>**

Widyatama University, Indonesia  
[wedi.rusmawan@widyatama.ac.id](mailto:wedi.rusmawan@widyatama.ac.id)

**Rachmat Hidayat<sup>7</sup>**

Widyatama University, Indonesia  
[rachmat.hidayat@widyatama.ac.id](mailto:rachmat.hidayat@widyatama.ac.id)

**Aida Wijaya<sup>2</sup>**

Widyatama University, Indonesia  
[rafael.aida@widyatama.ac.id](mailto:rafael.aida@widyatama.ac.id)

**Andina Nur Fathonah<sup>4</sup>**

Widyatama University, Indonesia  
[andina.fathonah@widyatama.ac.id](mailto:andina.fathonah@widyatama.ac.id)

**Ibnu Rachman<sup>6</sup>**

Widyatama University, Indonesia  
[ibnu.rachman@widyatama.ac.id](mailto:ibnu.rachman@widyatama.ac.id)

**Achmad Fadjar<sup>8</sup>**

Widyatama University, Indonesia  
[achmad.fadjar@widyatama.ac.id](mailto:achmad.fadjar@widyatama.ac.id)

Corresponding author: Widyatama University, Indonesia Email: [apri.wandi@widyatama.ac.id](mailto:apri.wandi@widyatama.ac.id)

## Abstract

One of the government's efforts to increase the Village Original Revenue/VOR (Pendapatan Asli Desa/PADes) was by setting up a Village's Business Entity/VBE (Badan Usaha Milik Desa/BUMDes). The VBE had an important role for the development of a village. Today not all villages in Indonesia had VBE. Also, the villages which had VBE mostly had not well managed. There should be an active role of the central, province, and districts/city government to guide the village in achieving the wealthy, independent, and competitive village. The Village Budget was a comprehensive tool starting from the planning, controlling, up to the evaluating the performance. Therefore, the structure of the Village Revenue and Spending Budget/VRSB (Anggaran Penda Patan dan Belanja Desa/APBDes) was important to create a better management of the VBE.

## Keywords

Village Original Revenue, Village's Business Entity, Village Revenue and Spending Budget

**To cite this article:** Apriwandi.; Wijaya, A.; Sherlita, E.; Fathonah, A, N.; Kusumah, R, W, R.; Rachman, I.; Hidayat, R.; and Fadjar, A. (2021) Optimizing the Village Business Entity Management Using the Budget Structure. *Review of International Geographical Education (RIGEO)*, 11(6), 138-144. doi: 10.48047/rigeo.11.06.17

**Submitted:** 03-10-2020 • **Revised:** 05-12-2020 • **Accepted:** 07-02-2021

## Introduction

Since the implementation of Village Regulation No. 6/2014 regarding Village, the authorization of government on the management of village's financial had increased. Today, the government authorization on it had not fully supported with the capable human resources, which led to incapable financial village management. Some village officers were only spending the fund in accordance to the transfer from the central, province, and districts/city government, without any proper or well-prepared budget. The sources of village development's fund came from the Village Fund (VF) from the Central Government, Village Fund Allocation (VFA) from the Districts Government, Financial Aid from the Province and Districts/City Government, Tax Sharing/Regional Retribution, donation from third party, and from the Village Original Revenue (VOR).

One source in the Village Revenue and Spending Budget (VRSB) that was not restricted regarding the objectives of spending was the VOR. The Village Government had full authority in using the VRSB for the village's spending. Therefore, it is important for the village to increase the VRSB as a source for village spending in the VRSB structure. For that, the village government had to be capable to increase the the VOR. It is important for a village to grow a village governance with an entrepreneurship spirit and be able to create revenue; not merely spending the fund and rely only from the central or regional government's fund. One way to optimize the VOR was by creating and managing the Village's Business Entity (VBE). The existence of VBE was very important to move the village economy and to increase the village society's wealthiness. Moreover, the VBE would lead to the achievement of developed village, independent, and also had a strong competitive value. This paper aimed to lay a description regarding the importance of a well-managed VBE, in the effort of increasing the VOR in the VRSB structure. This was to contribute for Village Government in order to manage the VBE well. Also - for the Central, Province, and Districts/City Government - as a consideration in making decision regarding the regulation on VBE.

## Literature Review

The theory given here was to describe some definition of specific terms regarding the matters in hand.

### The Definition of VBE, VRSB, and VOR

#### 1. Village's Business Entity (VBE)

VBE was a business entity which fully or partly owned by a village through a direct participation. The source was from the village's wealth which was separated in the course of managing assets, services, and other business to provide the most wealth for the village's society (article 1, Village Government Regulation No. 4/2015).

#### 2. Village Original Revenue (VOR)

VOR was a revenue sourced from the village tax, village retribution, profit from the VBE and other legal village original revenues.

#### 3. Village Revenue and Spending Budget (VRSB)

The VRSB was a plan on the village government yearly financial (Internal Affairs Ministry Regulation No 113/2014, article 1). The structure of VRSB consisted of Village Revenue, Village Spending and Village Costing. The VRSB was prepared for the period of one year, from Januari 1 to December 31 of the budget year.

### The Concept of Nawacita

Nawacita came from the Sanskert language, which were "nawa" meaning "nine" and "cita" meaning vision, or expectation. This was the agenda of the presidential campaign in the early 2014, which was still relevant to the continuance of Indonesian development today. The Nawacita

consisted of 9 aspects which were the focus of the Indonesian government in increasing the society's wealth and to place a more solid economic existence in the international level. The nine aspects were as follows (Kramer & Stoicescu, 2021):

1. Reformation System and Legal Implementation which were free from corruption, having dignity and trusted.
2. Building Indonesia from the frontier and strengthen regional areas and villages in the frame of unity nation.
3. Strengthen the variety and the social restoration
4. Bringing the state to protect the nation and safety for the society
5. Building a clean, effective, democratic, and trusted governance
6. Increasing the quality of life through education
7. To achieve the independent economy by empowering domestic strategic economy sectors
8. Revolutioning the nation's characters
9. Increasing the society's productivity and competitiveness in the international market

The idea of creating VBE could fulfill some aspects of the "Nawacita", those were aspects number 1, 2, 5, 6, 7, 8, and 9. Therefore, a well-managed VBE was a very strategic way to achieve most of the government's visions directly and indirectly.

### The Goals of VBE

According to article 3 Village Government Regulation No.4/2015, there were 8 goals of importance in creating the VBE. Those were:

1. To increase the village economy
2. To optimize village's asset to be useful for the village well-being
3. To increase the society's effort in managing the village economy potency
4. To develop the business cooperation between villages and third parties.
5. To create the opportunity and market network to support the needs of general services for the society.
6. To open employment opportunity
7. To increase the villagers' well-being through the improvement of general services, growth and village economic equality.
8. To increase the villagers' revenue and VOR.

## Findings and Discussions

Since the legitimation of the Village Regulation No. 6/2014 regarding Village, the village government had an authorization in managing its financial independently. Along with it, the Central Government tried to increase the VBE in Indonesia, by supporting the village government to create one. It is expected that through the VBE's profit, the village government would be able to increase the village society wealth. However, there were two main problems regarding the VBE. First, not all villages in Indonesia had a VBE. Second, the management of the VBE mostly unprofessional. It was shown by the many proofs where a VBE which stop from operating, or the operating VBE could not contribute any profit to the village's revenue. These problems caused by:

1. The village government did not have fixed regulations regarding the management of VBE.
2. The human resources who manage the VBE had no sufficient basic management knowledge in managing a business.
3. There were still frauds in managing the financial carried out by some VBE managers.

### Problems Regarding VOR and VRSB

Problems regarding the VOR related to the economic independency. Many villages in Indonesia had not economically independent. They still depend upon the village fund transfer from the upper-level governments. The low rate of VOR was the major problem of the village development

continuity.

One of the problems with the VRSB was related to the budget of the main salary (fixed revenue) of the village officers. It had increased since the issuance of Government Regulation No. 11/2019. In the article 81 of the regulation, the sum of other village officer's at least the same with the main salary of Civil Government Employees II/a Classification, which was Rp2.022.200. However, when the regulation was issued, not all villages in Indonesia had the capability to budget the fixed revenue in accordance with the Government Regulation No. 11/2019.

The problem caused many villages unable to implement the regulation then paid the fixed salary below the regulation. This led to another problem, that was the village could not afford to pay a qualified officer to run the village, not to mention to manage a business of a VBE. The incapable village officer in managing the VBE caused the low rate of profit, or even worse, became a burden to the village's budget. The payment of the fixed revenue (spending on employees) in the VRSB usually came from the Village Fund Allocation (VFA) transferred from the Districts/City Government or from the VOR, which one of them was from the VBE's profit. The fund from the Village Fund from the Central Government was not allowed to be used for operational spending, such as the payment for the fixed salary. Some Districts/City Government accommodate the change in the regulations by increasing the VFA for the villages under its care. However, many Districts/City Government did not have the capability to increase the VFA. In that case, the village was expected to increase its VOR, one way was by creating and managing a VBE.

If the VOR was good, not only the payment for the fixed salary that could increase and implemented in accordance with the regulation, the village officer allowance could also increase adjusted to the village's ability to pay. The more wealth a village was, the more wealth of the village officers and its society.

## The Importance of VBE Management

The VBE as one of the implementations of Nawacita program had an important part in developing a village, not only in economy aspect but also in building better characters. VBE was a good media for educating the society of how to learn to manage a good business, expected to upgrade the village's economy with profit for the villagers' welfare. The VBE also could served as a place to interact in a good manner, good character, such as preventing people from fraud, since the society would keep a close eye on the management.

As [Pramagista and Wandebori \(2021\)](#) describe, a budget was a tool for a systematic activity planning in monetary form. Since it was in numbers it could be use to measure the efficiency and effectivity of an activity. Therefore, a good management of VBE must include a well-planned budgeting. Also, the budget of the VBE must be included in the VRSB in order to get a comprehensive control and proper review from the village's governance.

The importance of well-managed VBE for a village in accordance with the goals set in the regulation could include:

- ✚ Increasing the village economy:

[Sompa \(2021\)](#) stated the strategic VBE existence as a motor to drive the village economy and to increase the welfare of the villagers. The VBE was expected to become a business which rooted from the original sources of the village and optimization of the existing villagers' economy activities ([Sari, 2021](#)).

- ✚ To optimize village asset to be useful for the village's welfare:

The optimalization of village's assets had a potency to increase the regional revenue. Therefore, it was important to sistematically identify the village's assets to dig up its potential ([Sara, SAPUTRA, & Utama, 2021](#)). The inventory taking was to get a complete and detail list of the village's asset. The assets the identified using a good system such as preparing a system operational procedure and asset management application system. One of the results of the asset identification was to pinpoint an idle asset data. The VBE could utilize the idle asset, therefore it would be valuable for the village. For example, village asset, such as a pond, could be functioned as a tourist attraction other than its function as the village water resource. The VBE could manage it economically.

- ✚ To increase the villagers' business in managing the village economy potential:

Village had many economic potencies which usually had not been dug up and developed well. One of the VBE's part was to optimize the village's economic potency. It was important to identify and understand its potency or its strength which could be developed to be a business entity. The potencies could varies depended on the different demography, economi, sociology, culture, etc.

- ✚ To develop the cooperation business plan between villages and third parties:

One VBE could be managed in cooperation with other villages or even with a third party such as a private business entity. This strategy could enhance in order to complete each other and to get a win-win solution. The cooperation between villages had a goal to increase everybody's welfare and to prevent inequality among villages. It oriented to the interest and aspiration grown in the society (Hasdinawati, Ernawati, & Wahid, 2021). Cooperation between village and the third party was intended to accelerate and increase the village governance esecution, implementation of the village development, community development, and empowerment of villagers (Antlöv, Wetterberg, & Dharmawan, 2016).

- ✚ To create opportunity and market network which support the society's general needs of services:

One of the VBE business kind in trading was Cooperation entity. Cooperation Entity could be useful by the villagers as a channel of merchandise distribution for the producers, also could supply goods and services for the needs of villagers.

- ✚ To open Job Opportunity:

The number of unemployed citizens in Indonesia was quite high. The data retrived from the Central Bureau of Statistic in August 2019 the unemployed citizens reached 7,05 million people or the same as 5,28% of the workforce. The VBE was expected to be able to open new job opportunity for the villagers and decrease the unemployment. Moreover, the job seekers from village did not have to go to city because they would have a carreer in the village and promoting the village.

- ✚ To increase the society's welfare through the improvement of general services, growth and village economic equality:

VBE focused on the village economic increase and general services. The well managed of VBE could increase the society's well-being, through the improvement of general services, and also to decrease economic gap in the society.

- ✚ To increase the villagers' revenue and VOR:

The execution of village development needed a big fund. The effort to increase the independency of village finance was also had to be increased considering today's condition where most of the villages officers still relied upon the fund transfer from the Central or Regional Government to finance the development. Therefore, it is expected that the village government had an ability to increase its VOR. One way to increase the VOR was to create a VBE. With a high VOR the village government would have the sufficient financial ability to create an independency in the governance and public service.

## Conclusion And Suggestions

Since the issuance of Village Regulation No. 6/2014 regarding Village, the Village Government had the authority to manage its own finance independently. Whilst not all villages had the ability ty be economically independent. This was caused by the limitation of natural resources and human resources in the village. It was important for a village to grow a spirit of business so that the

village officers would not merely spend the fund in the VRSB. One problem regarding the budget was the imbalance of revenue compare to the spending amount in the VRSB structure. Obviously, the revenue was less than the spending. Therefore, the village need to increase its revenue. One way to increase the village revenue was through creating a VBE. Today's condition in Indonesia, not all villages had VBE. Ones that had had VBE was still unprofessional in managing it. Many VBE had stopped operating and the ones still operating had not been able to contribute to the village revenue.

Some suggestions to improve the condition regarding the empowerment of VBE were listed below:

- a. To create a clearer regulation regarding VBE  
Many existing VBE did not have regulation regarding how to manage the finance and the asset. Village government need to create the regulation needed. If the Village Government did not have the capability to create it, then the Disric/Cit Government should do it for the villages under its care.
- b. Many existing VBE did not have regulation regarding how to manage the finance and the asset. Village government need to create the regulation needed. If the Village Government did not have the capability to create it, then the Distric/City Government should do it for the villages under its governance.
- c. To execute education and training  
The Distric/City government should execute an education and training through the Community Empowerment Service, regarding the management of finance and asset of VBE, or other education and training needed for the village officer and VBE managers
- d. Execute a comparative study  
The Distric/City Government through the Community Empowerment Service should execute a comparative study to villages which had a better management of VBE in order to inspired the less manages VBE at the villages under its governance
- e. Give Accompaniment and Consultation  
The Distric/City Government through the Community Empowerment Service along with the villages companion should execute the accompaniment and consultation regarding the VBE management
- f. Give Capital  
The Distric/City and Province Government could have an option to give capital aid in order to increase the VBE capital.
- g. To Carry out Supervising and Control  
Distric/City Governance through the Regional Inspectorate could do the guiding through supervising and control of VBE management.

## Acknowledgement

Thank you for Prof. H. Obsatar Sinaga, M.Si. and Prof. Mohd Haizam bin Saudi to see about this paper to be published.

## References

- Antlöv, H., Wetterberg, A., & Dharmawan, L. (2016). Village governance, community life, and the 2014 village law in Indonesia. *Bulletin of Indonesian Economic Studies*, 52(2), 161-183. doi:<https://doi.org/10.1080/00074918.2015.1129047>
- Hasdinawati, H., Ernawati, E., & Wahid, A. (2021). The Role of The Village Government in the Economic Development of Fisherman Communities in Pulau Harapan Village. *Jurnal Ad'ministrare*, 8(1), 27-36. doi:<https://doi.org/10.26858/ja.v8i1.18023>

- Kramer, E., & Stoicescu, C. (2021). An uphill battle: a case example of government policy and activist dissent on the death penalty for drug-related offences in Indonesia. *International Journal of Drug Policy*, 103265. doi:<https://doi.org/10.1016/j.drugpo.2021.103265>
- Pramagista, A., & Wandebori, H. (2021). Propose Business Strategy for Coffee Shop in Indonesia (XYZ Company). *European Journal of Business and Management Research*, 6(1), 90-96. doi:<https://doi.org/10.24018/ejbmr.2021.6.1.687>
- Sara, I., SAPUTRA, K. A. K., & Utama, I. (2021). The Effects of Strategic Planning, Human Resource and Asset Management on Economic Productivity: A Case Study in Indonesia. *The Journal of Asian Finance, Economics and Business*, 8(4), 381-389. doi:<https://doi.org/10.13106/jafeb.2021.vol8.no4.0381>
- Sari, A. G. P. (2021). The Analysis of Village-Owned Enterprises (BUMDes) Management Using Interpretive Structural Modeling. *TRANSFORMASI: Jurnal Manajemen Pemerintahan*, 16-35. doi:<https://doi.org/10.33701/jtp.v13i1.1555>
- Sompa, A. T. (2021). Empowerment of Family Economy through the Program for Increasing the Prosperous Income Facilities in Tanah Laut Regency. 66-79. doi:<https://doi.org/10.31219/osf.io/9amsj>