

Seeing and believing Principle”
in Creating Public Value:
Context of Indonesian Village
Owned Enterprise
Establishment (Best practice in
Ponggok Village, Central Java)

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**“Seeing and believing Principle” in Creating Public Value: Context of Indonesian Village Owned Enterprise Establishment
(Best practice in Ponggok Village, Central Java)**

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Abstract

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This paper intends to identify the public value derived from local communities and to describes how the creation of public value in the process of establishment of village-owned enterprises in Indonesia. The establishment of this village-owned enterprise has become a trend in the last four years, as an implementation of the village fund allocation program launched by the Indonesian government at the end of 2014. The village government tries to take advantage of the village's allocation of funds to the greatest extent of rebuilding the village economy through the establishment of village-owned enterprises. With the establishment of a village owned business entity is expected to be based on the potential and needs of local communities, so as to improve the welfare of the village community. This research was conducted in Ponggok villages of Central Java that successfully established village-owned enterprises as best practices through public value creation model based on local wisdom. This research uses a mixed approach that is quantitative and qualitative. Data collection both through in-depth interviews and questionnaires. This study concludes that the successful management of BUMDes at Ponggok Village is determined by the success of the village government in setting up the public value derived from community perspective in gradually stages firstly 'commitment', 'immediate benefits', 'orientation to local resources', and finally 'community involvement'. One of the original values drawn from the character of the local community to gain their support is firstly showing the success evidence, then the public will believe (seeing and believing).

Key words: *Public value, village-owned enterprises, community involvement.*

A. Introduction

Indonesia as a country built on and from the village. For a long time, the village already has its own system and government mechanisms and social norms. Therefore, the Village is also called the pioneer of an autonomous and sovereign democratic system. However, the juridical recognition of the authority of the village will not be much if it is not supported by the provision of financing sources as well as the conceptual and sustainable empowerment efforts. Because basically the financing will follow the functions that are run (money follows function) ”.

At least during the 60 years of independence, village development is still underdeveloped and the village poverty rate is still high. By 2018, the percentage of poor people in the city is 7.02 percent while in the villages it is still 13.20 percent (Central Bureau of Statistics (BPS), 2018). However, this number has slightly decreased compared to 2016 whereas the percentage of poor

people in rural areas is 13.96% and in the urban areas is 7.43%. This shows that the poverty alleviation efforts in the village have positive results even though they have not been fully effective, because poverty in the village is still much higher than in the city.

Since 2015, the central government has launched a policy to reduce poverty in the village by allocating village funds which become a “fresh breeze” for the acceleration of rural areas development. The commitment of Indonesian government is great to increase the independence of the village community through those village fund allocation program. Through this policy, the government seeks to strengthen village autonomy by giving authority to make policies on villages by their own government, especially in providing services, increasing participation, initiatives and empowering rural communities to realize the welfare of their own communities based on potential and local conditions.

The Village Fund Allocation (VFA) Program was first rolled out in 2015 with a budget amounting to Rp 20.76 trillion with an absorption rate of 82%. Although the absorption rate is still low, but the fund allocation of villages continues to increase. In 2016 the VFA has increased to Rp 46.9 trillion, then Rp 60 trillion in 2017, and for 2018 VFA doubled to Rp 120 trillion. Many development programs that have been successfully implemented since the launch of the VFA have been recorded to achieve both physical and non-physical development in the villages. By the end of 2016, physical development has been built along 66,884 km of village roads, 511.9 km of bridges, 1,819 village market units, 14,034 wells, 686 units of embungs, 65,998 drainage, 12,596 irrigation units, 11,296 PAUD units, 3,133 units of Polindes, 7,524 Posyandu, 38,184 land retention units, 1,373 units of boat moorings, 16,295 clean water units, and 37,368 MCK units (Ministry of Village, Disadvantaged Area Development and Transmigration, 2017). As for non-physical development, many village funds are allocated for the establishment of Village Owned Enterprises (called “BUMDes”).

Those policy is reinforced by the solution offered by the Ministry of Underdeveloped Villages in order to make the village as the focus and main locus of development accommodated through four priority programs: (1) Product Development of Rural (called ‘Prudes’) and Prime Product of Rural Area (called ‘Prukades’), Village Owned Enterprises (BUMDes), the construction of small dams (Embung), and the construction of Village Sports Facilities (called ‘Raga Desa’).

BUMDes aims to expand market access, create a conducive business climate, scale up the economy, provide post-harvest facilities and infrastructure and capital assistance. The development of BUMDes can be done by establishing service units (public services &

distribution of government assistance), village financial institutions, and trading and service business units. The examples of BUMDes business units are banking finance services such as transfers, repayment of mortgage loans, distribution of People's Business Credit, cooperatives (savings and loan, fisherman, farm), village shops / minimarkets, tourism services, clean water and drinking water management, electricity payment services, fertilizer distributors and subsidized seedlings and other business units established on the basis of community needs meetings. The development of BUMDes since 2015 is very fast from 1,022 units to 45,549 units in 2018. However, not all BUMDes are able to perform well as expected. One indicator that is used is where businesses that are built cannot develop even stall and the existence of Bumdes has not been able to improve the welfare of villages citizens.

However, from all the successful BUMDes, there is one of the most spectacular BUMDes in Indonesia that is located in Ponggok Village, Central Java. So this study would like to describe the success of BUMDes as one of the best practice of BUMDes management in Indonesia. The focus of this study is on how the effort to create public value in running BUMDes so that he is strongly supported by the community.

Why are we interested in reviewing the creation of public value? as it is known that any innovation created will not work without the full support of the community, especially the development innovations in the village. BUMDes as an innovation in the village, it is necessary for the full support of the community to run sustainably not just for short-term innovation like other programs that are only temporary. Through the creation of public value in running BUMDes the likelihood of success will be far greater than all the ideas and programs coming from above. As Moore (1995) said, that managerial success in the public sector is with initiating and reshaping public sector enterprises in ways that increase their value to the public in both the short and the long run. Therefore the purpose of this paper is to explain how far the public value has become the basis for the establishment of BUMDes. And does the existence of these public values also contribute to the success of BUMDes?

B. Methods

This research on public value includes rare research in Indonesia, since there has not been much attention from researchers regarding the creation of public value in Indonesia. We are therefore interested in reviewing the creation of public value in the context of establishing village-owned enterprises. The choice of the theme is because the establishment of Village Owned Enterprises is still classified as a new trend and is now one of the popular policies adopted by the village

government. This research was conducted in 2019-2020, just moments before the Covid 19 pandemic occurred and took place in Ponggok Village, Central Java as one of the best practice of BUMDes management in Indonesia.

This study uses Moore's perspective in which the creation of public value must depart from the perspective of society that consumes public policy or service from government or public managers. Then combined with the Meynhardt concept to analyze whether in the formation and management of BUMDes has fulfilled the criterion of public value creation where the presence of public value seen from 4 dimensions developed by meynhardt, namely Moral-Ethical, Hedonistic-Aesthetical, Utilitarian-Instrumental, and Political-Social.

A qualitative approach is used in this research, so the data were collected through in-depth interviews and Focus group discussion (FGD) involving BUMdes and community managers in Ponggok Village. We are trying to identify the growing values in the village community of Ponggok related to the 4 dimensions of the Meynhardt, especially related to the existence of BUMDes. In-depth interviews were conducted with several key informants, consisting of the village head and 2 village officials, 2 BUMDes managers and employees, and 2 local community leaders. To identify the 4-dimensional related public values, an in-depth interview and FGD was conducted. Then we categorized the data collected for further determine the values that most public disclosed in accordance with their understanding. Methods of data analysis using interactive qualitative approach.

C. Results and Discussion

Establishment of Village Owned Enterprise in Indonesia

Since the launch of the Village Fund Allocation Program in early 2015, villages are competing to establish village-owned enterprises (BUMDes). The village-owned enterprise, often referred to as BUMDes, is a village business enterprise that is managed by the village government as well as the village community with the aim of strengthening the village economy and is shaped based on the needs and potentials of the village. The characteristics of BUMDes according to BUMDes Handbook (2007), among others: 1) Full power in the hands of the village, and managed with the village community; 2) The joint capital that comes from the village of 51% and from the community 49%, done by equity capital (share). (Also read: form of business ownership); 3) Using a business philosophy rooted in local culture to carry out operational activities. This operationalization process is in joint control by Village deliberation body (called: BPD), Village Government and community members. (Read also: understanding of

ASEAN economic community); 4) For the field chosen for the village business entity adapted to the potential and market information; 5) Profits derived from production and sales are aimed at improving the welfare of village members and communities through village policy; and 6) Provision of facilities and supervision shall be carried out by Provincial Government, District Government, and Village Government.

Meanwhile, the objectives of establishing BUMDes based on the BUMDes Guidebook (2007) are: 1) Improving the economy of rural communities; 2) Increasing the income of villagers (Also read: the concept of national income - a source of local revenue); 3) Optimizing the potential of natural resources for the needs of the community; 4) Become equitable distribution and economic growth of the village.

The existence of Village Owned Enterprises (BUMDes) has been formally declared in Law Number 6 of 2014 concerning Villages which states that village institutions include BUMDes. Further details regulations are provided in the Village Minister's Regulation No. 4 of 2015 on Establishment, Management, and Dissolution of Village-Owned Enterprises, which guides the regions and villages in the establishment and management of BUMDes. BUMDes as a business entity, all or most of its capital is owned by the Village through direct participation derived from village wealth. This Regulation has now been updated through Government Regulation Number 11 of 2021 concerning Village-Owned Enterprises.

As a public organization, BUMDes must meet the criteria to be able to create public values as well as their public managers. The existence of BUMDes is expected to provide solutions and means of improving the economy of rural communities that have been identic with backwardness and financial independence.

Analysis and Findings

We have tried to get the public value in the real sense based on the local perspective of the people in Ponggok village, not just based on theory. For that done the distribution of questionnaires to find out the opinions of people in the village of Ponggok about what values are sorted them need to be enforced in the framework of management of business ownership Village. By adopting a model developed by Meynhart, we are trying to identify people's understanding of four (4) public value concepts: Moral-Ethical, Hedonistic-Aesthetical, Utilitarian-Instrumental, Political-Social. We try to translate the 4 concepts of Meynhart adapted to the perception or understanding of the people in the village of Ponggok which is considered important as follows:

Table 1. 4 concepts in the public value perceived by local communities

Dimensions	Item	Local Community value
Moral-Ethical	Behave decently	commitment, transparency, equity
Hedonistic-Aesthetical	Contribute to the quality of life	provide immediate benefits, increase public welfare
Utilitarian-Instrumental	Does good work in its core business,	sustainable, innovative, orientation to local resources
Political -Social	Contributes to social cohesion,	community involvement and support

source: primary data, 2018. An adaptation from Timo Meynhardt, Pepe Strathoff, & Steven A. Brieger in Strathoff, Theo Pepe (2016).

The values mentioned above are values that are considered good by the local community related to the establishment and management of the Village Owned Enterprises. Then, from the expected number of values, which is become the most contributed to the successful management of the Village Owned Enterprise in Pongkok Village? In the early stages, the most contributing public value is community commitment. As one of the key informants suggested:

“The establishment of Village Owned Enterprises has faced many obstacles, one of the most difficult is building commitment among the community, although it has been formulated together but there are still many people who do not really support the success of these BUMDes, only a few people who still have a high commitment including the Village Head, who believes that this BUMDes will eventually succeed ”.

A negative sentiment has been developed so that the more pessimistic society that BUMDes will be able to grow let alone bring changes for the welfare of society. Not to mention the problem of limited human resources, it is very difficult to find people who really want to struggle to pioneer and manage BUMDes, in addition to the BUMDes is a new institution. But that does not mean nobody wants to support and fight even if only a few. The beginning of the formation of business BUMDes managed only fish feed stores and capital loans for the community and pioneered tourism activities called “Umbul Pongkok” (water recreation) as a recreational vehicle. Armed with the commitment, confidence and hard work of the board of BUMDes and the relentless motivation of the Village Head of Pongkok, slowly but surely BUMDes is experiencing better movement. Within one year BUMDes has generated a profit of Rp. 100,000,000, - and paid as Regional Original Revenue (called PAD) of Rp. 30,000,000,- (30% of profit) in 2010.

But to convince the public is not an easy job, most people think ‘Seeing is Believing’ (when they see, then they believe), it needs proof to foster trust from the community. During the first period of government has made breakthrough programs that bring fundamental changes in society. Starting from infrastructure development, village axis road, village road, farm road

and road connecting tourism object of Ponggok Village, bridge, agricultural irrigation channel, social facility of education, social health facility and economic facility by building kiosk culinary for society and build Village Office which is magnificent as the pride and identity of Ponggok Village. Ponggok Village Government also develops social activities, provides compensation, skills training and motivational training as well as entrepreneurship.

In the second period, the economic sector became the top development priority, with the strengthening of BUMDes as a local economic power to realize the welfare of the people and increase the original source of income of the village. BUMDes get great support from the village by doing revitalization of Tourism Object Umbul Ponggok which is currently become the largest source of income BUMDes. From 2015 to 2019 Ponggok develops Tourism Objects according to the potential and assets of the village so that it can be utilized optimally to earn income for the community and PAD in continuing sustainable development. By managing only one Tourism Object namely "Umbul Ponggok" proven in 2014, PAD received from the business of BUMDes has amounted to Rp. 350.000.000, -. The existence of BUMDes is now very beneficial for the village community because it can reduce unemployment rate in Ponggok Village through the absorption of local workforce as BUMDes's employees amounting to 25 people.

From the description above shows that the Village Owned Enterprise (case in Ponggok village) has managed to contribute significantly to the improvement of local community welfare. Until 2019 (before the pandemic) the profit obtained has reached 3 billion per year. One of the key successes of BUMDes in Ponggok Village is the accuracy in choosing the type of business that is developed based on local potential where Ponggok village has potential natural resources to become a water tourism object. Thus the Ponggok village government has proved successful in creating public value for the establishment of Village Owned Enterprise which is raising local potency that can give economically benefit for society and village directly and sustainable.

By adopting Meynhart's public value model, we try to identify what values the Ponggok Village community believes to be an important value and must be upheld in organizing a Village Owned Enterprise (table 1). Ponggok villagers respond to which values they think are most important and the main ones must exist, the result is that "commitment". Village government has been very effective in creating public value by prioritizing the importance of commitment and showing direct evidence of financial benefits. Thus the first thing that must be created is the moral-ethical concept that underlies the public value of community commitment that starts from the commitment of the village apparatus (the leader). With a strong commitment, the

Village Owned Enterprise as an innovation will continue until finally produces the real outcome to provide solutions to the problems that exist in the community.

The second response after commitment is the benefits that people can enjoy directly, especially financial benefits. The mindset of the villagers, they will only support an innovation if they have seen firsthand the positive things they will get. In general, they will prefer programs that provide direct financial benefits for them. Furthermore, they will give full support for changes or innovations where previously they were less confident and therefore less supportive. The village head in this case deeply understands how the characteristic of the local community, where they are more motivated by first seeing the results and then they want to provide support (Seeing is Believing). The proof of the benefits they see should be what convinces them that it can overcome the problems that have been experienced but difficult to solve. Like Strathoff, Pepe (2016) conclude that public value is a promising candidate to resolve enduring problems and stumbling blocks in the business and society field, especially concerning the understanding of value.

The third point that the community believes to be the reason to support the BUMDes is the development of a business field that fits the local resource and potential conditions in their village. With the suitability of BUMDes business field with local resources, they are increasingly enthusiastic because they can be directly involved in managing the business. They are not worried about the arrival of outside workers, because the water tourism business they manage can actually accommodate local workers. Psychologically, the people of Ponggok village have strong self-confidence which ultimately gives credence to the existence of BUMDes. This community trust then became the main driver of the progress of BUMDes, since then the community began to innovate and in turn their business will be sustainable.

The figure below illustrates the flow of public value creation in the establishment and management of BUMDes in Ponggok Village.

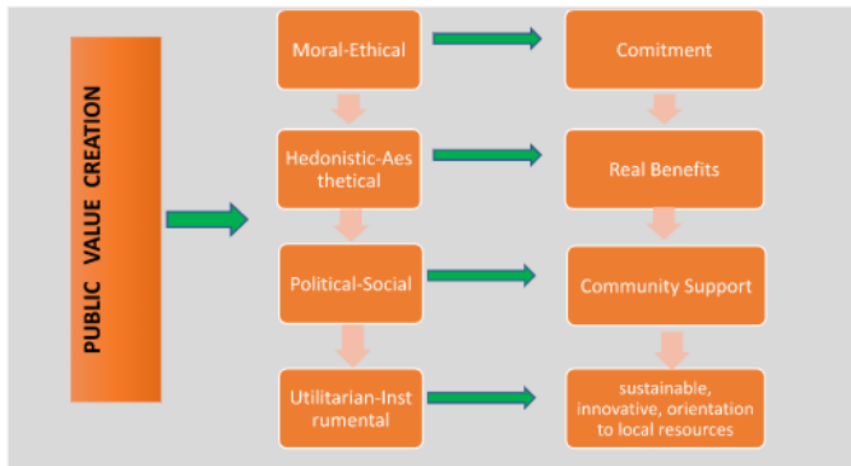


Figure 1. Model of creating public value in Ponggok Village

D. Conclusion

The results of this study support both the public value theory of Mark Moore and Meynhard. As Moore points out that the creation of public value is more focused on the perspective of society than from the government. In the case of establishing a successful Village Owned Enterprise in Ponggok village, Central Java, Indonesia, the Village Head has been successful in understanding the interests of the community collectively. From a community perspective, the existence of a village-owned enterprise will only be seen as meaningful to them if it contributes to the financial benefits they can enjoy in real terms. In addressing the mindset of this community, the head of Ponggok village government as a public manager consistently builds commitment in managing BUMDes in a professional manner, which then gradually results can be felt significantly to build the village infrastructure.

With the real evidence of the benefits obtained from the BUMDes, slowly but surely the public willing to provide support and even provide support in the form of ownership of shares to develop BUMDes. Therefore the purpose of this paper is to explain how far the public value has become the basis for the establishment of BUMDes. And does the existence of these public values also contribute to the success of BUMDes?

Thus this study concludes that the successful management of BUMDes at Ponggok Village as one of the best practice examples in Indonesia is determined by the success of the village government in setting up the public value in gradually stages from one to the other public value not simultaneously. One of the original values drawn from the characteristic of

the local community to gain their support is firstly showing the success evidence, then the public will believes (seeing and believing).

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