

## **Institutional Analysis (Case Study on Village-Owned Enterprises in Improving the Economy of the Community of Bulo Village, Pancarijang District, Sidenreng Rappang Regency)**

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### **Abstract**

This study examines the institutional role of Village-Owned Enterprises (BUMDes) in enhancing the community economy of Bulo Village, Panca Rijang District, Sidenreng Rappang Regency. Using a qualitative descriptive approach, data were collected through interviews, observations, and documentation. The analysis applied Scott's (2001) institutional framework, encompassing three pillars: regulative, normative, and cognitive-cultural. Findings reveal that BUMDes Mabbulo Sipeppa operates based on existing regulations (PERDES and AD/ART), emphasizing deliberation, compliance, and community engagement. However, challenges persist, including limited managerial capacity and inconsistent enforcement of regulations. Despite these obstacles, the BUMDes demonstrates progress through training initiatives, business diversification (such as sewing and livestock units), and active collaboration with the community. The study concludes that while BUMDes Mabbulo Sipeppa significantly contributes to local economic improvement, its sustainability and independence remain dependent on effective governance, consistent policy application, and continued capacity building.

**Keywords:** *Bumdes, Community Empowerment, Institutional Analysis, Local Economy, Rural Development.*

### **Introduction**

National development represents a comprehensive effort to enhance the quality of life of the community, nation, and state. One of its central objectives is to achieve self-reliance through equitable development, especially in rural areas. Given that the majority of Indonesia's population resides in villages, rural development serves as the cornerstone of national progress. Historically, national development has been primarily oriented toward improving community welfare through economic growth. Villages function as the primary centers of economic activity and play a vital role in supporting the national economy.

Law No. 6 of 2014 concerning Villages provides a strategic legal foundation empowering village government to exercise authority in governance, community empowerment, and local economic management. This legislation emphasizes the importance of local initiatives and non-governmental participation without disregarding local wisdom, aiming ultimately to achieve village independence. Consequently, communities are positioned not merely as beneficiaries but as the main actors of development. Empowering villages to identify and meet their own needs ensures that development programs effectively address local priorities.

### **The Role of Village Institutions in Economic Development**

Villages possess substantial authority to support local governance and development implementation. One significant government initiative to stimulate village economies is the allocation of Village Funds as a major source of income. Economic growth, in this context, refers to the process of

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increasing a nation's production capacity, reflected in a rise in national income. Approximately 70% of Indonesia's population lives in rural areas, highlighting the critical importance of rural development in stimulating economic dynamism at the grassroots level. Despite long-standing government efforts to promote rural economic growth through various programs, results have often fallen short of expectations. A major obstacle has been excessive government intervention, which inadvertently suppresses the creativity and innovation of rural communities in managing their local economies. This overreliance on external assistance fosters dependency and weakens institutional self-reliance. Therefore, a paradigm shift toward community-based empowerment has become essential.

### **Establishment and Function of Village-Owned Enterprises (BUMDes)**

To address these challenges, the government introduced the Village-Owned Enterprises (BUMDes) model, intended to stimulate economic independence by institutionalizing community-driven economic activities. BUMDes serve as a platform for villages to manage their assets, develop businesses, and enhance employment opportunities based on local potential. According to Article 1, Paragraph 6 of Law No. 6 of 2014, a BUMDes is defined as a business entity whose capital is wholly or predominantly owned by the village, sourced from separated village assets. Its purpose is to manage resources and enterprises for the collective welfare of the community. Functionally, BUMDes act as both social and commercial institutions:

As social institutions, they provide essential services and strengthen community solidarity.

As commercial institutions, they engage in profit-oriented activities to generate revenue for the village.

The dual nature of BUMDes allows them to address economic and social needs simultaneously, fostering inclusive development at the local level.

### **BUMDes in Practice: Case of Bulo Village, Sidenreng Rappang Regency**

In Sidenreng Rappang Regency, 61 out of 106 villages have established BUMDes. One notable example is BUMDes Mabbulo Sipeppa in Bulo Village, established on January 24, 2020. The enterprise aims to reduce poverty and strengthen local economic potential by utilizing available natural resources and promoting entrepreneurship among residents.

### **Methods**

This research is a type of descriptive qualitative research presented in the form of descriptions, tables and figures. Qualitative approximation is used to infer the meaning of the analysis in the form of text. The focus of the research was carried out in Bulo Village, Panca Rijang District, Sidenreng Rappang Regency. The data collection techniques in this study were carried out by interviews, observations, and documentation.

#### **Interview**

The interviews conducted in this study are in-depth interviews where information collection is carried out face-to-face with the informant and gets a complete picture of the topic being researched through appropriate questions to obtain the information. Interviews in this study were conducted with actors involved in the collaboration to obtain information about the collaboration process.

#### **Observation**

Stating that the researcher went directly to the field to observe behavior and activities at the research location. Therefore, to support data and information, the researcher also conducts observations as a data collection tool in addition to in-depth interviews. This observation was used by utilizing field records containing records about village economic institutions through BUMDes in Bulo Village.

#### **Documentation**

Documentation is a data collection technique by collecting and analyzing documents, both written, imaged, and electronic. Document studies are complementary to the use of observation and interview methods, so that the research results can be more reliable because of the support of documents from the source. In this case, documentation is carried out with the aim of recording the entire series of activities, especially during the research implementation stage.

The data analysis techniques used in this study include: 1) Data reduction, that is, simplification of the original data which is carried out by summarizing the data. 3) *Data display* in qualitative research,

data is presented in the form of brief descriptions, charts, or inter-category relationships, usually in the form of narrative text. 3) Conclusion Drawing and Verifying making conclusions and testing the validity of the data. The initial conclusions proposed are temporary and subject to change if new data do not support them during subsequent data collection.

## Results and Discussion

Village-Owned Enterprises (BUMDes) are village business institutions managed by the community and village government, in an effort to strengthen the village economy and are formed based on the needs and potentials of the village. The way Village-Owned Enterprises (BUMDes) work is by accommodating the economic activities of the community in an institutional form or business entities that are professionally managed, but still rely on the original potential of the village. This can make people's businesses more productive and effective.

The purpose of BUMDes is to improve the welfare of the community, the village economy, and the village's original income. The goals and functions of BUMDes cannot be realized immediately without good management. The current reality is that many BUMDes in Indonesia are experiencing a downturn. In the findings of the Ministry of Agriculture and Rural Development in 2018, the main cause of the failure of BUMDes is ignorance of the management of BUMDes. Most BUMDes in Indonesia still lack the ability to make business plans and business analysis.

### Regulative Pillar

The regulatory pillar is very important because it is necessary to direct the implementation of BUMDes institutions to run in accordance with the set goals and so that the implementation of policies is in accordance with the planned program. The application of regulatory pillars in the form of products, rules, norms, and standardization will greatly affect the institutional process of BUMDes because it can cause difficulties for implementers in terms of policy management and administration.

**Table 3.1.1 Results of Reduction of interview data for Bulo Village officials, Panca Rijang District, Sidenreng Rappang Regency**

Indicators	Sub indicators	Village head	Head of BPD	Chairman of BUMDes	Treasurer
Regulative Pillar	What are the government regulations that governs the establishment and BUMDes operations? How BUMDes comply with regulations aforementioned?	Deliberation and socialization	Compliance and Participation	Agreements and Regulations	Regulation and Compliance
Regulative Pillar	What just performance indicators that used to monitor the success of BUMDes in improve the community's economy? How are the indicators determined	Benefits and Outcomes	Revenue and Evaluation	Support and Evaluation	Performance and Empowerment
Regulative Pillar	What types of sanctions are possible faced BUMDes if you violate any rules or policies that pretend?	ADRT and Compliance	Sanctions and Warnings	Reprimands and Actions	Warnings and Penalties

Source: Processed Research (2024)

**Table 3.1.1 Results of Reduction of Interview Data of Community Stores in Bulo Village, Panca Rijang District, Sidenreng Rappang Regency**

Indicators	Sub indicators	MOTHER PKK	MOTHER PKK	Group Farming
Regulative Pillar	Do you feel that the current regulations are supportive or even inhibit development of owned enterprises village as pillar local community economy?	Training and Empowerment	Support Capital	Regulation and experience
	Do you feel that the current monitoring system is effective enough in Evaluate the achievement of the goals and work results of village-owned enterprises?	Lack of follow-up	Transparency and Accountability	Ineffectiveness and Follow-up
	Whether There is a mechanism or procedure that clear in determining sanctions for members of village-owned enterprises that commit violations, and how transparent and participatory process?	Inconsistency and Engagement	Sanctions Rules	Incoexistence and Enforcement

Source: Processed Research (2024)

From the results of the data reduction, BUMDes Mabbulo Sipeppa only agreed on existing rules, such as PERDES and AD/ART. Holding meetings/deliberations to see developments and plan for the future, as well as providing information to the public about BUMDes rules. However, there are still challenges, such as lack of experience in managing BUMDes. The government has provided financial assistance, but its management still needs to be improved. Sanctions rules for violations are in place, but they are not always enforced consistently.

### Normative Pillars

Normative pillars are a concept of norms used in an institution as a basic guideline, and standards that form a framework to ensure that an organization or entity operates in accordance with established values and conditions. In the context of village-owned enterprises, values and norms affect the way the business entity operates and is accepted. The normative pillars include values and norms that provide guidance for achieving desired goals and standards. The normative aspect also includes the assessment of the certification and accreditation that this is achieved

**Table 3.2.1 Results of Reduction of Interview Data for Bulo Village Officials, Panca Rijang District, Sidenreng Rappang Regency**

Indicators	Sub indicators	Village head	Head of BPD	Chairman of Bumdes	Treasurer
Normative Pillars	What types of certifications do BUMDes have? What are the standards or requirements that must be met to obtain the certification?	Certification and Certification	Standardization and Improvement	Training Products	Training and Compliance
	What is the process that BUMDes must go through to get accreditation? What	Evaluation and Effectiveness	Stubbornness and growth	Training Skills	Accreditation and eligibility

are the requirements that must be met?			
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Source: Processed Research (2024)

**Table 3.2.1 Results of Reduction of Interview Data of Community Stores in Bulo Village, Panca Rijang District, Sidenreng Rappang Regency**

Indicators	Sub indicators	MOTHER PKK	MOTHER PKK	Group Farming
Normative Pillars	What is the level of public understanding and awareness of the importance of certification in increasing consumer trust in products or services produced by village-owned business entities?	Socialization	Education and Certification	Reception and Benefits
	Has accreditation owned by village-owned enterprises helped to increase public trust in their products or services	Trust and awareness	Understanding	Quality and trust

From the results of the data reduction, it can be concluded that although the certification process is still in the development stage, the BUMDes management has taken steps to increase their capacity, including through training in business unit development and the preparation of financial statements. The training that has been carried out also includes the development of a sewing business unit, which has produced products such as t-shirts and batik. This shows the commitment of BUMDes Mabbulo Sipeppa in achieving the standards and requirements set, as well as their efforts in developing business units to improve the welfare of the local community.

### Pillars of Cognitive Culture

The pillar of cognitive culture in village-owned enterprises refers to the following aspects intellectual and understanding that are the cornerstones of culture in managing and developing the business entity. In general, these pillars include understanding, knowledge, attitudes, and values related to business management and empowerment community at the village level.

**Table 3.3.1 Results of Reduction of interview data for Bulo Village officials, Panca Rijang District Sidenreng Rappang Regency**

Indicators	Sub indicators	Head Village	Head of BPD	Head BUMDes	Treasurer
Pillars of Cognitive Cult	To what extent do BUMDes show commitment to their mission and vision? How	Commitment and Cooperation	Participation and Transparency		Compliance and discipline
	BUMDes keep			Blood and Policy	
	Operations are aligned			Deliberation	
	with the purpose that has been				
	Set?				
	How to participate in the planning and decision-making process BUMDes? Whether the community has mutual understanding about the rule and their responsibility?	Deliberation and Education	Awareness and limitations	Responsive	Deliberation and Participation

source: Processed Researcher (2024)

**Table 3.3.1 Results of Reduction of Interview Data from Community Stores in Bulo Village, Panca Rijang District, Sidenreng Rappang Regency**

Indicators	Sub indicators	MOTHER PKK	MOTHER PKK	Farmer Group
Pillars of Cognitive Culture	What is the commitment of village-owned business members in ensuring that the economic activities they carry out are in accordance with the needs and aspirations of the village community?	Commitment	Evaluation and Feedback	Participatory and Communicative
	Is there a mechanism or discussion forum used by village-owned enterprises to increase mutual understanding between community members regarding strategies and steps taken to improve village economy?	Collaboration and strategy	Forums and engagement	Discussion forums

Source: Processed Researcher (2024)

From the results of the data reduction, it can be concluded that the Mabbulo Sipeppa BUMDes is to advance BUMDes and improve the economic welfare of the village. This is the main motivation in every joint action. In the cattle farming business unit, joint action involves providing quality feed according to the nutritional needs of cows. In the tarpaulin fish pond business unit, the joint action is to build a pond with quality tarpaulin to ensure its durability. In LPG gas cylinder business units, joint actions include regular inspections to ensure there are no leaks or damages. The existing discussion mechanisms and forums show continuous efforts to increase collaboration between BUMDes members and the community in planning strategies and forward steps. This aims to advance the Mabbulo Sipeppa BUMDes and provide maximum benefits for the village community.

## Conclusion

Based on the results of the research conducted on Institutional Analysis (Case Study on Village-Owned Enterprises in Improving the Economy of the Community of Bulo Village, Panca Rijang District, Sidenreng Rappang Regency. The study uses 3 indicators of Scott (2001) Institutional, namely the regulative pillar, the normative pillar, and the cognitive culture pillar. BUMDes Mabbulo Sipeppa only agrees on existing rules, such as PERDES and AD/ART. Hold meetings/deliberations to see developments and plan for the future, as well as provide information to the public about BUMDes rules. However, there are still challenges, such as lack of experience in managing BUMDes. The government has provided financial assistance, but its management still needs to be improved. Sanctions rules for violations are already in place, but they are not always enforced with consistent. Getting scrutiny from the Ministry of Law and Human Rights to increase trust in BUMDes. For this reason, BUMDes must comply with the rules. Participating in business development training. Although there is no official certification yet, BUMDes Mabbulo Sipeppa has succeeded in producing sewing & convection business unit products. However, BUMDes mabbulo sipeppa is still said to be not independent depending on village funds. Evaluations continue to be carried out to ensure the contribution of BUMDes in improving the economy of village communities. BUMDes Mabbulo Sipeppa has a strong common belief, which motivates all parties for the progress of BUMDes Mabbulo Sipeppa. BUMDes has succeeded in increasing the income of the village community through various business units that are run. The Mabbulo Sipeppa BUMDes business unit focuses on the long-term goal of improving the economic welfare of the village community. Existing mechanisms and discussion forums help increase collaboration between BUMDes members and the community, ensuring that BUMDes continue to grow and provide maximum benefits to the village community.

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