

Innovation of Village-Owned Enterprises (BUMDes) to Improve the Economy of Village Communities in Bintan Regency

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Abstract. Village-owned enterprises (BUMDes) are institutions within the village government that focus on the economic sector to grow and develop the village economy. The mandate of the Village Law makes BUMDes the main driver of the village economy. A growing village economy is expected to be a stimulus for national economic growth. This research aims to describe how innovations made by BUMDes in Bintan Regency in improving the village economy. The BUMDes that are the focus of this research are BUMDes with advanced categories in Bintan Regency, Riau Islands Province consisting of BUMDes Mitra Perdana Teluk Sasah Village, BUMDes Anugerah Ekan, Ekan Anculai Village and BUMDes Maju Bersama Teluk Bakau Village, Bintan Regency. This research used a descriptive qualitative approach. The results of this study found that BUMDes have innovated in increasing their income through the addition of business units through partnership programs with third parties. This partnership program succeeded in increasing production and expanding the market so as to increase income for BUMDes and directly impacted on Village Original Income (PADes).

1 Introduction

The federal government has initiated the creation of rural-Owned Enterprises (BUMDes) to enhance the welfare of rural areas. Village-Owned businesses (BUMDes) are legal organizations created by villages to manage businesses, optimize asset use, augment investment and production, provide services, and participate in various commercial activities aimed at improving the welfare of the village community. This is in compliance with Village Law No. 6/2014. BUMDes is a commercial entity that operates like a village, taking care of the requirements of the village community and supporting the implementation of village governance [1]. BUMDes can also provide commerce, services, and other tasks related to economic development. BUMDes is able to run its business well and the proceeds from its business can be used for business development, village development, village community empowerment, and assistance.

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The presence of BUMDes is expected to provide economic benefits to village communities through managed business units. A well-managed BUMDes will provide benefits to the village community, especially the community economic sector. Likewise, if the existing BUMDes is not managed properly, it will not have an impact on improving the community's economy [2]. So the management of BUMDes should be the main job for the government to increase the prosperity of rural communities. The lack of maximum BUMDes in becoming an institution that is able to provide economic benefits to village communities is due to several factors that have been found by several researchers including low community participation and community ownership of BUMDes [3], subsequently, the limited business divisions administered by BUMDes and the low resources of BUMDes managers [4]. Lack of attention from the authorities to BUMDes is also one of the core factors in its development [5].

A well-managed BUMDes will have an impact on the economy of the village community, community business development, and the level of community education will be better [6]. There are several factors that make BUMDes unable to develop well, including weak financial governance, limited marketing access, and the same business field as other BUMDes [7]. Development and improvement of results in BUMDes management are carried out through an empowerment process that is carried out in stages starting from increasing institutional capacity, guidance and training of management human resources and collaborating [8]. To realize BUMDes that are successful and provide economic benefits to village communities, strategic and measurable efforts must be made. BUMDes managers and the authorized government must make other efforts aimed at making BUMDes develop better.

The economics of rural communities in Indonesia have not been significantly impacted by the establishment of BUMDes since the Village Law was passed in 2014. Just 51,134 BUMDes have been constructed in Indonesia out of 74,957 total villages, according to data from the Ministry of Villages for 2021. Merely 30,000 BUMDes have been able to provide revenue for rural communities and villages based on the number that was formed [9]. The quantity and growth of BUMDes indicate that the community and village government in Indonesia has not been doing a good enough job of managing their presence.

Therefore, innovation for BUMDes is a necessity that must be done as an effort to be able to grow and develop by adjusting to the times and the increasing needs of human life. Innovations can be made in several aspects, it can be in the institutional aspect, namely partnership policies with third parties or through product management in accordance with market needs or other innovations that can develop BUMDes. So that BUMDes is not limited to a formal institution that complements village government institutions. But its presence really provides benefits to village communities, especially in the economic sector.

The majority of BUMDes are still managed unprofessionally, this can be seen from the human resources of the managers, whose average education is still a graduate of Public High School. Likewise, the business units that are managed are still types of businesses that are already popular in the village community. This means that there is nothing new and according to the needs of the community. Therefore, the existing business units do not provide significant profits for the village community [2]. The bulk of BUMDes in Indonesia run business units such as the small-scale trading industry, savings and lending, which are typically unsupported by explicit legislation, and the transportation and other service industries. In addition, BUMDes are unable to take advantage of partnerships and utilize technology as an innovation effort in organizational development [10].

BUMDes whose management is not dynamic and does not have the ability to develop itself will be eroded by future challenges such as competitors with the same type of business continuing to emerge. Therefore, it requires BUMDes to innovate as a strategic step to further develop themselves in all aspects in order to advance and be able to provide

economic benefits to village communities. There are several innovations made by several BUMDes in increasing revenue such as innovations in the aspect of community empowerment through increasing the capacity of managers, training and sustainable empowerment [8]. Then innovation through digital application-based services to facilitate BUMDes in marketing and services [11].

Additionally, based on studies carried out by earlier researchers, there were a number of study gaps wherein earlier studies have looked at numerous BUMDes improvements in enhancing community welfare by giving human resource managers greater authority and innovations in using technology. While innovation in the aspect of collaboration or building partnerships with third parties is very little done. Especially research conducted on the aspect of partnership as an innovation in BUMDes in the Riau Islands Province, especially Bintan Regency. When viewed from the natural potential in the Riau Islands, most of which are marine natural resources that are rich in fisheries potential, tourism and so on. So that research on BUMDes Innovation in Bintan Regency is very important for the welfare of village communities.

BUMDes in Bintan Regency, Riau Islands Province, possess the capacity to develop in order to generate economic advantages for village communities. As illustrated in the table below, 10 of the 36 existing BUMDes have effectively generated income for the village due to their advanced and developing categories.

Table 1. BUMDes in the Developing and Advanced Category and Village Revenue Contribution in Bintan Regency in 2021.

No	Nama Desa	Nama BUMDes	PADes	Kategori BUMDes
1	Elang Anculai	Anugrah Elang	29.576.840	Proceed
2	Teluk Sasah	Mitra Perdana	40.752.724	Proceed
3	Kampung Hilir	Sehati	18.875.840	Proceed
4	Berakit	Maju Bersama	11.271.600	Progress
5	Busung	Dendang Bertuah	7.650.000	Progress
6	Malang Rapat	Sahabat	1.899.350	Progress
7	Air Glubi	Maritim Jaya	1.500.000	Progress
8	Toapaya Selatan	Mitra Karya	11.424.402	Progress
9	Toapaya	Sukses Jaya	4.488.021	Progress
10	Toapaya Utara	Bhakti Karya	5.100.000	Progress

For 2023, there are 3 (three) BUMDes that show significant development in the management of business units. The managed business units are able to contribute to BUMDes revenue and can also provide income for the village through Village Original Revenue (PADes). BUMDes assets have also increased for 2023, this can be seen in one of the villages with advanced category BUMDes, namely BUMDes Mitra Perdana Teluk Sasah Village with an asset value of IDR. 1,717,639,412.



Fig.1. Tanjak, one of the BUMDes products

This study examines innovations that demonstrate notable growth from three BUMDes in Bintan Regency, particularly in the area of business unit development. BUMDes Bina Sejahtera Teluk Bakau Village, BUMDes Anugerah Ekan Ekan Anculai Village, and BUMDes Mitra Perdana Teluk Sasah Village are the three BUMDes. In addition to increasing the total number of business units, BUMDes' expansion has the potential to boost revenue both for the organisation and the village administration.

2 Theoretical Framework

In a social life and social life, changes take place quickly and effectively, and changes go according to plan. In addition, the competence of each individual and competition continues to go hand in hand over time resulting in changes in social patterns that seem to continue to compete in achieving their respective goals. Global changes and the dynamics of human life have made humans must be able to adapt to the changes that occur. If we are not able to adapt to the changes themselves, then we will experience setbacks and even not achieve progress. Innovation is a tool to bring something new to replace the old. The ability to innovate is the ability to produce something new and different from the previous situation, but still adhere to the ideas, knowledge, and facts that have been received.

Law No. 18 of 2002 defines innovation as any engineering, research, or development work done with the intention of creating new, useful uses for current science and technology, or new contexts and values for science, for goods, or for production processes. Global changes and the dynamics of human life have made humans must be able to adapt to the changes that occur. If we are not able to adapt to the changes themselves, then we will experience setbacks and even not achieve progress. Organizational innovation and technological innovation are the two categories into which the innovation process is separated. Technological innovation involves introducing new equipment, techniques, and systems to modify the way things are produced. On the other hand, organizational innovation involves making innovative changes to organizational structure, strategy, and administrative processes [12]. According to a study by Ojasalo, innovation can be categorized into three categories: process innovation, which helps to reduce costs and maintain quality, product innovation, which aims to generate revenue, and market innovation, which broadens the company's target market mix and helps it choose which market to serve [13].

One instrument to replace the past with something fresh is innovation. Of course in line with current thoughts, facts, and knowledge, innovation is producing something fresh and distinct from the past. Usually, innovative items have fresh, high-quality, profitable characteristics. So that innovation is essentially new and qualitative. Thus, innovation is not something biased, but innovation is an idea of human thought in facilitating their activities, solving problems, and even as creative destruction. Because in reality, the equipment of reason and creativity, as well as the innovations that exist in humans, are often misused and tend to become something negative. However, an innovation is still needed to solve various problems and stay on a positive path.

3 Methods

The government's collaboration in utilizing BUMDes as a means of enhancing the economy of village communities will be thoroughly investigated through this qualitative research approach. This research will also look at how BUMDes as an institution to be able to develop itself so that it can realize organizational goals, especially getting material benefits to improve the economy of rural communities. The use of qualitative methods is based on

the formulation and objectives to be achieved, namely to describe existing phenomena. The features of this qualitative research explain how a comprehensive picture formed by words was created, detailing the informants' points of view in detail and arranging them in a scientific setting that incorporates subjectivity from the perspectives of the subjects and informants as well as the researchers themselves [14]. The use of a qualitative approach makes this research able to explain and analyze behavior both individually, groups and organizations, principles or beliefs, understanding or thinking, and perceptions or assumptions.

Purposive sampling was employed to identify research informants. This method involves the selection of informants with a predetermined objective and a predetermined plan. The typical groups and specificities that are desired are typically predetermined. Literature and documentation studies, in-depth interviews, and observation were implemented as data collection methodologies. The 20 resource persons in this study were recruited from the local government of Bintan Regency, including the Community and Village Empowerment Office, Village Government, Village Consultative Body, Community Leaders, Head and management of BUMDes Mitra Perdana Teluk Sasah Village, BUMDes Anugerah Ekan Ekan Anculai Village, and BUMDes Bina Sejahtera Teluk Bakau Village, as well as hamlet leaders and local economic activists.

The qualitative data was analyzed using an interactive analysis model in this study [15]. The interactive model is comprised of three primary components: (1) data reduction, (2) data presentation, and (3) conclusion drawing/verification. elucidated that the interactive model transitions between four "axes," namely the process of data acquisition, data presentation, data reduction, and conclusion or verification. This process will continue to replicate and follow each other throughout and after the data collection process, and it will conclude when the research is complete.

4 Result and Discussion

Innovation is characterized as research, development, and/or engineering endeavors undertaken to discover practical applications of novel scientific principles and contexts, or to devise new methodologies for utilizing existing science and technology in products or production processes, as articulated in Law No. 18 of 2002. The dynamics of human existence and global change require humans to be able to adapt to the changes that arise. If we are not able to adapt to these changes, then we will experience obstacles and may even fail to achieve progress.

Technological innovation and organizational innovation are the two categories into which the innovation process is divided. In the technological process, innovation introduces technological changes (physical apparatus, techniques, and systems) that alter the production process. Conversely, organizational innovation is innovation in the structure, strategy, and administrative processes of an organization [12]. In BUMDes in Bintan Regency, especially the three BUMDes that have good development such as BUMDes Mitra Perdana, BUMDes Anugerah Ekan and BUMDes Bina Sejahtera in innovating in technological and organizational processes. In the organizational process, there is a policy from BUMDes to increase revenue through the addition of business units and expand the market. Improving the quality of production through cooperation or partnerships carried out with business actors that already exist and are around the BUMDes business. Partnerships made with third parties by BUMDes such as the partnership of BUMDes Bina Sejahtera Teluk Bakau Village with the manager of the Bintan Agro Resort tourist area in Teluk

Bakau village. BUMDes Anugerah Ekang cooperates with the manager of the village tourism area, namely Ekang Tourism Village.



Fig.2. One of the tourist areas of Teluk Bakau village

Cooperation with government agencies is also carried out by BUMDes Mitra Perdana, precisely with Pertamina in making Pertashop in Teluk Sasah village. The partnerships made are the result of organizational innovation that makes policies to collaborate with other parties. So far, BUMDes has only run business units by utilizing local potential without paying attention to potential from outside the village. Conducting partnerships with third parties, especially parties that have already existed and succeeded in their management, will provide added value to BUMDes. Like BUMDes Bina Sejahtera Teluk Bakau village, which has only been producing on a small scale because it is only to meet the local needs of the community. By collaborating with Bintan Agro Resort, BUMDes is able to provide products on a large scale and have high quality standards.

Likewise with BUMDes Anugerah Ekang, so far the existing business units do not have large benefits but by cooperating with third parties in managing businesses in the tourism sector, the benefits increase. The partnership model carried out by each BUMDes with third parties has different patterns. For BUMDes Mitra Perdana Teluk Sasah cooperates with Pertamina in the establishment of Pertashop, most of the capital comes from BUMDes but for supervision and assistance is carried out by Pertamina. BUMDes Teluk Bakau cooperates in providing catering or consumption for hotel guests, while for BUMDes Anugerah Ekang gets 10 percent of every tourist ticket sale.

The various cooperation models carried out by each BUMDes still have an economic impact on BUMDes, especially on the income from the business units managed. This diverse innovation model shows that BUMDes in Bintan Regency are able to make breakthroughs and innovations to think ahead in the development of BUMDes management. Technological innovation and organizational innovation are the two categories into which the innovation process is divided. In the technological process, innovation introduces technological changes (physical apparatus, techniques, and systems) that alter the production process. Conversely, organizational innovation is innovation in the structure, strategy, and administrative processes of an organization [13].

However, in the course of time since the establishment of BUMDes in Bintan Regency in 2016 until today the form of partnerships carried out can be said to be minimal. Various problems faced by BUMDes ranging from weak human resources of managers, minimal community participation and lack of attention from the authorized government have further added to the length of the BUMDes problem. If the partnership as an innovation step by the authorities or the BUMDes itself starts from the beginning, it will

certainly provide a high boost to the economic improvement of rural communities. Partnerships in improving innovation do not seem to be the most prioritized thing, so many partnerships are weak in conducting or improving innovation [16].

According to the field findings, the sustainability of BUMDes is significantly impacted by innovation in the form of partnerships or collaboration with third parties. This can be seen from the comparison between BUMDes in Bintan Regency that implement collaboration programs with third parties and BUMDes that do not implement collaboration programs as an innovation. This can be seen from several aspects, one of which is in terms of BUMDes revenue. The revenue of BUMDes for 2023 of Teluk Sasah village amounted to Rp. 18,674,023, Teluk Bakau village amounted to Rp. 40,071,247 and Ekang Anculai village amounted to Rp. 121,564,500, a quite high amount when compared to the revenue of other BUMDes. With this amount of income, these three BUMDes have the highest income and continue to increase when compared to other BUMDes in Bintan Regency.

Apart from revenue, changes can also be seen from the types of business units owned by BUMDes that run collaboration programs and BUMDes that do not. BUMDes whose business units tend to be uncreative and monotonous where the business units created have also been created by other business actors, where the business actors are the village community. The business units created are usually savings and loan businesses, trading of basic goods, refill of drinking water, mini markets and others. Meanwhile, BUMDes that cooperate with third parties have unusual business units such as the management of tourist attractions, procurement of catering for hotels and resorts, and Pertashop in cooperation with Pertamina. This type of business, in addition to less intense competition, also has quite high business profits.

The variety and uniqueness of business units from collaboration as an innovation has increased the revenue of BUMDes. This increase in revenue has direct implications for the village government and the village community. Although the contribution is not significant, it still provides hope for the progress of the village. The village government has additional revenue through Village Original Revenue (PADes) while for the village community, employment opportunities and easy access to basic needs from business units run by BUMDes.



Fig.3. Ekang Tourism Village area, Ekang Anculai Village

Partnership or collaboration between BUMDes and third parties, whether with the private sector, the community or the government, should be a priority program for BUMDes. The collaboration carried out by the three BUMDes in Bintan Regency is proof that these activities are able to provide significant contributions to the economic growth of village communities by increasing BUMDes income. However, the problem is that not all BUMDes are able to carry out this innovation with various problems. Therefore, support from the authorities in this case the village government and local government is a necessity for the sustainability of BUMDes which is beneficial for village communities.

5 Conclusion

The success of BUMDes in Bintan Regency cannot be separated from the innovations carried out by BUMDes managers. Partnerships and collaborations with third parties such as the private sector, the community and the government have proven to be able to provide a boost to BUMDes income through managed business units. The cooperation model in several trade, service and industrial sectors that are needed by consumers is a model that must be maintained for the sustainability of BUMDes businesses. BUMDes Mitra Perdana, Anugerah Ekang and BUMDes Bina Sejahtera are examples of innovation models that have been carried out and proven to provide economic benefits for village communities through partnership or collaboration programs with third parties.

Recommendations to related parties such as local governments that must create regulations in regulating partnership patterns between BUMDes and other parties, both to the private sector, the community and the government. And the local government appeals to business actors operating around the village community to open up opportunities for cooperation with BUMDes. For the village government, it is necessary to provide guidance, training and assistance to BUMDes managers so that they have the ability to develop existing programs for business sustainability. For BUMDes itself, it must establish close relationships with various parties, especially with the local community. So that BUMDes becomes joint ownership in the sense that all its activities receive support from the community.

Government support in the form of clear regulations as protection for BUMDes businesses is a must so that all BUMDes in Bintan Regency can function and be useful for the benefit of the community. Of course, apart from improving the ability of BUMDes managers in terms of management and marketing, community participation is also one of the main supporting factors in improving the performance of BUMDes managers. The hope is that the existence of BUMDes will truly provide real benefits to the community, especially in the economic sector.

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