

# Evaluation of BUMDesa Performance on Village Economy in Bengkalis Regency

Husnul Muttaqin <sup>1,a)</sup>, Doris Sukma <sup>2,b)</sup>, Yanisha Dwi Astari <sup>3,c)</sup> Deliana Dalimunthe <sup>4,d)</sup>

<sup>1</sup>Jurusan Administrasi Niaga, Politeknik Negeri Bengkalis, Sei Alam, Bengkalis, Indonesia

<sup>2</sup>Jurusan Bahasa, Politeknik Negeri Bengkalis, Sei Alam, Bengkalis, Indonesia

<sup>3</sup>Jurusan Administrasi Niaga, Politeknik Negeri Bengkalis, Sei Alam, Bengkalis, Indonesia

<sup>4</sup>Politeknik Negeri Bengkalis, Sei Alam, Bengkalis, Indonesia

<sup>a)</sup>Corresponding author: husnulmuttaqin@polbeng.ac.id

<sup>b)</sup>dorissukma@polbeng.ac.id

<sup>c)</sup>yanishadwiastari@polbeng.ac.id

<sup>d)</sup>delianadalimunthe@gmail.com

**Abstract.** This research aims to evaluate the performance of Village-Owned Enterprises (BUMDesa) on the village economy in Bengkalis Regency. The focus of this research was conducted on two independent BUMDesa, namely BUMDesa in Kuala Alam Village and Jangkang Village. The research approach used was descriptive qualitative method, where data was collected through in-depth interviews, field observations, and document studies. The analysis in this study aims to describe how BUMDesa contribute to improving the village economy through job creation, increasing community income, as well as local business development. The results show that BUMDesa in both villages studied have a good impact in driving the village economy. In Kuala Alam Village, BUMDesa Kuala Alam plays an active role in the trade, seafood and plantation sectors, which directly increases the income of the local community. While in Jangkang Village, BUMDesa Sejahtera focuses on the trade and drinking water processing sectors, which also contributes well to the village economy. However, this research also found several obstacles faced by BUMDesa, particularly in terms of business management, human resource management. From these findings, it is recommended to increase managerial training for BUMDesa administrators, human resource capacity building, and increase synergy between BUMDesa and local government to improve the effectiveness and sustainability of BUMDesa programs in supporting village economic development.

**Keywords :** BUMDesa, Village Economy, Performance, Contribution, Impact, Bengkalis Regency

## INTRODUCTION

Villages are the smallest part of the Indonesian government system and play a vital role in national economic development. In an effort to improve the welfare of rural communities, the government has issued Law No. 6/2014 on Villages, which authorizes villages to manage their economic potential through the establishment of Village-Owned Enterprises [1]. Based on the Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration No. 4 of 2015, BUMDesa is a business entity whose majority or all of its capital is owned by the village through direct participation derived from village assets, with the aim of managing assets, services, and other businesses for the welfare of the village community [2].

Bengkalis Regency, one of the regencies in Riau Province, has considerable economic potential, particularly in the plantation and fisheries sectors. However, there are still many villages in this region that experience economic

disparities. Therefore, Village-Owned Enterprises are expected to drive the village economy and improve community welfare. As mentioned in previous research by Ramadhana and C. Berlian [3], BUMDesa is expected to be the backbone of the village economy and increase the village's own revenue, thereby improving community welfare. Various studies have been conducted to assess the performance of BUMDesa in various regions in Indonesia. One study in Banyumas Regency showed that factors affecting BUMDesa performance include business capital, human resources, and the role of village government [4]. Meanwhile, research in Sleman Regency found that BUMDesa performance is influenced by community participation, accountability, and transparency of management.

Evaluating the performance of BUMDesa in Bengkalis Regency is important as the region has great economic potential. By evaluating the performance of BUMDesa, factors that influence it can be identified and strategies can be developed to improve BUMDesa performance in order to make a greater contribution to the economy and welfare of rural communities. As stated by Ramadhana and C. Berlian [3], "Evaluation of BUMDesa performance is needed to ensure that BUMDesa can provide optimal benefits to village communities. In conducting an evaluation, it is necessary to pay attention to various aspects such as finance, operations, human resources, and governance. This is in line with Ridlwan's opinion stating that "the evaluation of BUMDesa performance must be conducted comprehensively in order to provide a complete picture of its performance.

In addition, the evaluation of BUMDesa performance also requires the involvement of various stakeholders, such as the village government, BUMDesa management, and the village community. This is in line with the principles of good governance, which emphasize participation, transparency, and accountability in BUMDesa management. As stated by Sari et al., community participation, accountability, and transparency are important factors in determining BUMDesa performance. By evaluating the performance of BUMDesa in Bengkalis Regency, it is expected to produce recommendations and strategies to improve the performance of BUMDesa, so that it can make a greater contribution to the village economy and the welfare of rural communities. This is in line with the purpose of establishing BUMDesa, which is to improve the village economy, optimize village assets to benefit village welfare, increase community businesses in managing village economic potential, and develop business cooperation plans between villages and/or with third parties [2].

Evaluating the performance of BUMDesa on the village economy is an urgent matter to ensure the effectiveness of economic development at the local level. Relevant ministries have revealed that BUMDesa has great potential in driving the village economy. However, the challenges faced require in-depth understanding and appropriate actions to enhance its contribution. The Government of Indonesia has been providing support to BUMDesa through programs such as the Village Fund and Village Partnership Program, as well as providing training and mentoring to assist in BUMDesa business development. Currently, BUMDesa in Indonesia is growing and has a strategic role in the economic development of rural communities, as seen from the increasing number of BUMDesa established and businesses run throughout Indonesia.

This research is based on previous studies related to Village-Owned Enterprises and is based on relevant theories and regulations. Various related research results are important references in this study. In research conducted by Amelia Sri Kusuma Dewi [5] on "The Role of Village-Owned Enterprises in Increasing Village Original Income and Developing the Village Economy", it was found that the opportunity for democratization at the village level is expected to have a positive impact on the development of village initiatives and progress. The initiative must pay attention to various aspects, such as services, democratization, participation, and most importantly, increasing the economic potential of the village. The improvement of the village economy should start by giving proper legality to BUMDesa, so that BUMDesa can prove its role as an effort to increase Village Original Revenue and encourage village economic growth as a whole and comprehensively.

In a study conducted by Maria Rosa Ratna Sri Anggraeni [6] on "The Role of Village-Owned Enterprises on Rural Community Welfare: Study on BUMDesa in Gunung Kidul, Yogyakarta", it was found that the existence of BUMDesa provides significant changes in the economic and social fields among rural communities. This can result in shifting social values and interaction patterns among the population. Although BUMDesa increases Village Original Revenue, the benefits are not always directly felt by the community. As a result, some residents argue that the presence of BUMDesa does not have a meaningful impact on improving their welfare. It is important to note that

BUMDesa and the village government have a close relationship, with the village government acting as a supervisor of the activities conducted by BUMDesa.

The results of research by Hanny Purnamasari and colleagues [7] on “The Effectiveness of Village-Owned Enterprises Management Based on People's Economy in Warungbambu Village, East Karawang Sub-district, Karawang Regency”, revealed that the management of BUMDesa in Warungbambu Village still faces challenges. The village government and community have limited human resources skilled in financial management and management. In addition, the community lacks adequate information related to the establishment of BUMDesa. As a result, although the BUMDesa has been established, the effectiveness of its management has not been optimized. Therefore, further efforts are needed to improve the effectiveness and efficiency of BUMDesa management to provide maximum benefits for the development and welfare of Warungbambu Village.

An empirical study conducted by Chasanah et al [8] on “Management Issues of Village-Owned Enterprises in Banyumas Regency” revealed that the performance of BUMDesa in the region is still not optimal. Several factors affecting these findings include the limited capability of managers to achieve efficiency, effectiveness, economic perspective, responsiveness, and community empowerment. In addition, there are other challenges such as the utilization of local village resources that have not been maximized, the benefits of BUMDesa that the community has not widely felt, and weak community supervision of BUMDesa. The poor performance of BUMDesa is also caused by the dominant role of village officials in its management. Therefore, comprehensive, and participatory improvement efforts are needed to improve the performance and effectiveness of BUMDesa management in Banyumas Regency, including increasing community involvement and strengthening the capacity of managers to manage BUMDesa efficiently and responsively to village needs.

Moreover, data show that in Bengkalis Regency there are 136 BUMDesa and 19 UEK, indicating that every village in the region has a BUMDesa with various business categories. This confirms the strategic role of BUMDesa as one of the instruments to improve the economy of rural communities. However, there are indications that poverty levels are still quite high in some villages, such as Jangkang and Kuala Alam Villages, as reflected in the data of beneficiaries. Considering the researches explained above and the urgency of the matter mentioned, the researcher attempted to evaluate the performance of the village economy in Bengkalis, to be specific, in both Kuala Alam and Jangkang Village, which respectively have BUMDesa Kuala Alam and BUMDesa Sejahtera.

## METHODS

This study applied a qualitative approach, a scientific method often used in research in social science and education. This research collects qualitative data, which is information presented in words or pictures, not numbers or statistics. Qualitative data usually comes from interviews, observations, or document analysis, which allows researchers to understand the meaning, perception, and context of the phenomenon under study more deeply. It also allows the researcher to flexibly investigate the phenomena thoroughly through the lens of participants [9]. Through qualitative data, researchers can explore the complex aspects and nuances of human experience or social phenomena. This research was conducted in Bengkalis Regency, focusing on 2 independent BUMDesa in the region.

In this study, the main data source used by researchers was the interview technique. Through interviews, researchers collect information directly from respondents, both in written and oral form. The data source is the core subject in the research process related to the problem being studied. This research uses two types of data sources, namely primary data sources obtained directly from BUMDesa administrators through direct interviews. This approach is in line with Creswell's [10] opinion that emphasizes the importance of interviews and observations in qualitative research to explore richer and deeper information from research subjects.

Data analysis is a systematic process of collecting, organizing, and understanding information from various sources, such as interview transcriptions, field notes, and documentation. The aim is to improve the researcher's understanding of the data obtained and enable the researcher to present research findings to others. In this study, data was collected through field observations, in-depth interviews with relevant and credible informants, FGDs, and documentation studies. Furthermore, the researcher presented the results of the interviews, organized the data in the form of tables, described the research process and interview results in the discussion, and interpreted the findings by connecting them with existing theories and data to conclude. Finally, the researcher provided suggestions and input

to BUMDesa related to the research results, for the sake of progress and the role of BUMDesa in the future in encouraging economic equality of rural communities.

## **RESULTS AND DISCUSSION**

### **BUMDESA PERFORMANCE IN BENGKALIS REGENCY**

BUMDesa Kuala Alam runs a business that focuses on local potential, namely *lomek* fish processing. Its main products include shredded fish and fish crackers, which are marketed in Bengkalis and outside the region. Based on observation, this BUMDesa involves the local community, especially housewives, as the main workforce. This not only creates employment opportunities but also improves community skills in producing quality processed products. In addition, BUMDesa Kuala Alam also has a WiFi voucher trading business, where some Kuala Alam villagers are trained to install WiFi networks. With the training, they can provide WiFi installation services for residents who subscribe. These skills can also be utilized by villagers to find jobs outside the village, such as WiFi installation technicians.

BUMDesa Sejahtera in Jangkang Village focuses on the production of bottled drinking water. With adequate facilities, this business unit ensures high standards of hygiene and water quality to meet the needs of the local market. The BUMDesa also employs village youth in the production and distribution process, providing them with not only employment but also relevant technical skills. The management of the business appears to be quite efficient, although challenges remain in expanding distribution to a wider market outside the village.

While both BUMDesa have shown adequate performance, they still face some challenges. BUMDesa Kuala Alam is constrained by limited capital, and thus has difficulty in increasing production capacity and expanding markets, despite the good potential of their products. Similarly, BUMDesa Jangkang faces constraints in its distribution network, which limits its market reach. To improve their performance, collaboration between local government and other stakeholders is needed to provide support for capital improvements and human resource strengthening, such as entrepreneurship training. In addition, the development of more innovative and modern marketing strategies is also necessary to expand consumer reach and improve competitiveness. These initiatives are expected to help BUMDesa maximize its potential and provide a greater economic impact on the village. Overall, the performance of BUMDesa Kuala Alam and Jangkang can be categorized as adequate with the potential to grow further. With the right support, these two BUMDesa can become a key foundation in driving the village economy, improving community welfare, and strengthening the local economy with the resources available in the region.

### **CONTRIBUTION OF BUMDESA TO VILLAGE ECONOMIC ACTIVITIES IN BENGKALIS REGENCY**

BUMDesa Kuala Alam makes a positive contribution to village economic activities by utilizing local fisheries potential. Processed products made from *lomek* fish, such as shredded fish and crackers, are not only a source of income for the BUMDesa but also become the village's flagship products that are able to compete in the market. By marketing these products, the village can increase its Original Village Revenue, which can then be used to fund various development efforts in the village, including infrastructure improvements.

BUMDesa Jangkang also plays an important role in supporting the village economy through its bottled water business. In addition to providing employment for the community, this BUMDesa also contributes to Village Original Revenue through the revenue generated. A portion of the profits are used to support social activities in the village, such as the construction of health and education facilities. These contributions are able to strengthen the village economy and create a conducive environment for sustainable economic growth. Furthermore, the results show that these two BUMDesa are able to improve the village economy. Going forward, BUMDesa Kuala Alam and Jangkang plan to develop business opportunities in the processing and production industries, which can reduce the villages' dependence on the traditional agricultural sector. This change is important to strengthen the economic resilience of the villages, as it creates new sources of income and increases employment opportunities for the community.

Research observations also revealed that both BUMDesa focus not only on financial returns but also on empowering the village community. They regularly provide training to local communities, both in production and business management aspects. This helps to improve the skills of the community and ensure sustainability and better management of the businesses. Thus, the contribution of BUMDesa to village economic activities in Bengkalis Regency can be categorized as excellent. Both BUMDesa prove that by utilizing local potential and empowering the community, the village economy can be effectively improved. To ensure the sustainability and growth of BUMDesa businesses, support from external parties, such as the government and other partners, is needed.

## IMPACT OF BUMDESA ON VILLAGE COMMUNITY ECONOMIC ACTIVITIES IN BENGKALIS REGENCY

The existence of BUMDesa Kuala Alam and BUMDesa Jangkang in Bengkalis Regency has had a positive economic impact on village communities. BUMDesa Kuala Alam, for example, empowers housewives by involving them in the production and processing of lomek fish-based products. Through the training provided, the community is able to improve their skills and earn additional income, which directly impacts on improving the economic welfare of their families. This involvement also fosters a sense of community ownership and responsibility for the village's economic progress. Similarly, the wifi network installers are equipped with relevant knowledge and skills, so that these abilities can also be utilized by those outside the village, providing an additional source of income for their families. At BUMDesa Jangkang, the positive impact is also felt by village youth who participate in the bottled water production and distribution process. Not only do they gain employment, but they also gain useful technical skills, helping to reduce unemployment in the village. In addition, the youth involved in the business also gain useful work experience for their future career development, both in the same sector and in other fields.

Research reveals that the existence of BUMDesa contributes significantly to improving household economic welfare in the community as a whole. Individuals directly involved with BUMDesa experience greater financial stability, while those not directly involved also benefit from increased purchasing power and economic activity in the village. This impact creates a multiplier effect, where increased income in one community impacts the economic welfare of other community groups. In addition to direct economic impacts, both BUMDesa also provide positive social impacts. The training and empowerment conducted by BUMDesa not only improves the technical skills of the community, but also increases awareness of the importance of entrepreneurial spirit and participation in village economic development. The existence of BUMDesa has encouraged the community to be more actively involved in economic activities and contribute to village development.

The research findings show that the existence of BUMDesa in Bengkalis Regency, particularly in Kuala Alam Village and Jangkang Village, has had a significant positive impact on the economy of the village community. Through BUMDesa Kuala Alam and Jangkang, local economic empowerment efforts have been effective in improving the standard of living and welfare of residents. Continued support from the government and collaboration with the private sector are important factors to ensure the sustainability and expansion of these positive impacts in the future. The following table of observations summarizes key aspects of the two BUMDesa, such as line of business, workforce, training, income, impact on Village Original Revenue, and contribution to the village community:

**TABLE 1.** Results of Observation on BUMDesa

No	Name of BUMDesa	Business Field	Workforce	Training Provided	Revenues	Impact on village revenue (PADes)	Contribution to the Community
1	BUMDesa Kuala Alam	Lomek fish processing (shredded, crackers)	Local housewives	Food production, packaging, marketing	Increasing, but constrained by capital	Contribute to village revenue for village infrastructure	Increased income of housewives, improved skills
2	BUMDesa	Wifi	Village	Installation of	Stable, local	Adding PAdes	Reducing youth

	Kuala Alam	Voucher	youth	wifi devices	market	and village infrastructure	unemployment, improving quality of life through skills
3	BUMDesa Kuala Alam	Pineapple food processing business	Village youth	Installation of wifi devices	Stable, local market	Increase PADes and village infrastructure	Reduced youth unemployment, and improved quality of life through skills
4	BUMDesa Sejahtera	Bottled drinking water production	Village youth	Drinking water production, distribution, quality management	Stable, local market	Adding PADes and funding social activities	Reducing youth unemployment, improving quality of life through clean water
5	BUMDesa Sejahtera	Savings and loan business	Local community	How to process pineapple into various snack products	Growing as members increase	Increase PADes and support community micro-enterprises	Improved access to capital for MSMEs and agricultural businesses
6	BUMDesa Sejahtera	Handicrafts and local arts	Local community	Product design, craft marketing	Stable, local market	Make a small contribution to PADes	Preserving local cultural arts, increasing craftsmen's income

## CONCLUSIONS

The results showed that the existence of Village-Owned Enterprises in Bengkalis Regency, particularly in Kuala Alam Village and Jangkang Village, has provided significant support for village economic activities. Both BUMDesa are proven to be able to increase Village Original Revenue and create jobs for the local community. BUMDesa Kuala Alam focuses on lomek fish processing, involving housewives to improve their skills and income, while BUMDesa Jangkang reduces youth unemployment through a bottled water production business. This diversification of village economic activities through BUMDesa has proven effective in reducing dependency on the traditional sector and opening up new business opportunities for the community.

Nevertheless, BUMDesa in Kabupaten Bengkalis still faces several obstacles, particularly limited capital and market access. To overcome these problems, further support from the government is needed in the form of financing assistance and more in-depth skills training. The aim is to improve product quality and expand market reach. In addition, cooperation with the private sector is also important to develop distribution and marketing channels for BUMDesa products, to reach a wider market and increase business scale.

To ensure the sustainability and important role of BUMDesa in supporting village development, BUMDesa needs to continue to diversify its business and strengthen the capacity of village communities. Through sustainable skills training programs and infrastructure development such as transportation and information technology access, BUMDesa can improve the competitiveness of its products in regional and national markets. With this strategy, BUMDesa in Bengkalis Regency is expected to continue to make a significant contribution to the economic welfare of rural communities.

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