Institutional Capacity Development of Village Owned Enterprises
In Sarjo Village, Sarjo District

Nuraisyah, Dandan Haryono, Viny Marsela Sombodatu
Universitas Tadulako, Indonesia
Email: Nuraisyah121270@gmail.com dandanharyono@gmail.com vinymarselasombodatu@gmail.com

Keywords
capacity building, institutions, village owned enterprises

Abstract
Through employment and community and village business empowerment, village-owned enterprises have a role and contribution to the economy. The main problems faced are not only capital, marketing, labor, technology, and market problems; what is more important is institutional capacity in human resource development. This study examines the institutional capacity development of village-owned enterprises in Sarjo Village, Sarjo District, Pasangkayu District. This research is descriptive-explorative in nature and uses an inductive qualitative method. The research strategy is a case study. This research focuses on institutional capacity, stages of institutional capacity building, and levels of institutional capacity development. The research location was a village-owned enterprise in Sarjo Village, Sarjo District, Pasang Kayu District, and informants were selected based on their role in developing the institutional capacity of the two elements. Observations, interviews, and collection of relevant documents were used to collect data. Data analysis uses interactive models and performs step-by-step analysis using linear and hierarchical techniques. The institutional capacity of Village Owned Enterprises is not yet optimal. This is evident from the capacity to use its resources is still limited. Stages Implementation of institutional capacity building has been carried out, but is still limited in the scope of each stage, in addition to limited knowledge in running its business. Meanwhile, the institutional capacity building carried out by the government in Sarjo Village, Sarjo Subdistrict, Install Timber District, has not had any follow-up stages in the form of technical guidance and business assistance stages. Institutional capacity development carried out by Village-Owned Enterprises is still limited, both at the personnel level, organizational level development and system (rule) level development. Based on the description above, it shows weak entrepreneurial skills, such as enthusiasm, attitude, action, and knowledge. Studies show that networking is a business characteristic of Sarjo Village, Sarjo District, Pasang Kayu District, which is very important for the existence, survival and sustainability of the business.
1. Introduction

The BUMDes approach, which is a component of the Micro, Small and Medium Enterprises (BUMDES) approach from a global perspective, is recognized as having an important role in the development and economic growth of developing countries, especially in Indonesia. According to the World Bank (2005), small and medium enterprises (SMEs) are one of the main drivers of economic development and are very important for growing the economy and creating new jobs. Recently, developing countries have considered the importance of the existence of small and medium enterprises, for at least three reasons. (Berry, Rodriguez, & Sandee, 2001), namely: First, because SMEs tend to be better at producing a productive workforce; secondly, because as part of its dynamics, SMEs often achieve increased productivity through investment and technological change; and third, because it is usually considered that SMEs have an advantage in terms of flexibility compared to large businesses in their implementation.

As a developing country, Indonesia recognizes that small and medium enterprises play an important role in the economy, especially after the monetary crisis in 1997. Their strong resistance to the crisis attracted the attention of the Indonesian government and people, Tambunan (2009:1). This has synchronization with what is being done by BUMDes in Indonesia, especially at BUMDes which is located in Sarjo Village, Sarjo District, Pasangkayu Regency.

In several areas, Village Owned Enterprises (BUMDES) have become an important part of the national economy. However, they still face various challenges and challenges both from within and from outside, such as in terms of processes, production and processing, marketing, and the business environment (2002:1). According to (Tresnawati, Wardiani, & Anisyahrini, 2021), village-owned enterprises face many problems when helping micro and small businesses in Indonesia. This includes issues such as:

1. Internal Problems
   a. Lack of Capital
      A business unit that depends on limited village capital requires capital. However, loan capital from banks or other financial institutions is difficult to obtain due to the administrative and technical requirements required by the bank.
   b. Limited Human Resources (HR).
      Most small businesses come from families and grow in a traditional way. Limited human resources both in terms of formal education, knowledge and skills greatly affect the management of company management, making it difficult to achieve optimal growth. In addition, the business unit faces the challenge of implementing new technological innovations to increase the competitiveness of the products it produces due to limited human resources.
   c. Weak Business Network and Market Penetration Capability.
      Small businesses, which usually come from families, have very limited business networks and low market penetration capabilities because the products they produce are limited in number and of less competitive quality. On the other hand, large businesses have strong business networks, good promotions, and technology that can reach markets all over the world.

2. External Issues
a. Unfavorable Business Climate
   Although the government's growth policy continues to be improved from year to year, it is considered not fully effective. This is shown by the unhealthy competition that continues to occur between large entrepreneurs and small entrepreneurs.

b. Limited Business Facilities and Infrastructure.
   Lack of information about the progress of science and technology causes their facilities and infrastructure not to develop quickly and do not support the progress of their business as expected.

c. Implications of Regional Autonomy
   The enactment of Law no. 23 of 2014, the authority to regulate and supervise local communities is in the hands of the regions. Business actors will be subject to new levies as a result of this system change. Competitiveness will decrease if this situation is not corrected immediately. In addition, excessive regional enthusiasm sometimes makes entrepreneurs outside the region not interested in developing their business in that area.

d. Free Trade Implications
   We know that the 2003 AFTA and 2020 APEC had significant consequences for Bumdes' ability to compete in free trade. In this case, Bumdes is required to carry out production processes efficiently and productively and produce products that meet global market demands with quality standards such as quality (ISO 9000), environment (ISO 14000), and human rights (HAM). Developed countries often use this problem as a non-tariff trade barrier. Thus, the Hadith of BUMDES is expected to enable the community to prepare themselves to compete competitively with a long-lasting comparative advantage.

e. Limited Market Access
   The products made cannot be marketed competitively in the domestic and international markets due to limited market access. Furthermore, the researcher presents previous research in order to be able to distinguish where there are similarities and differences that appear in this study as a novelty that must exist in every study.

   The research entitled Capacity Building (Bumdes) of Village-owned Usaa Agency which was carried out by (Nuraisyah & Haryono, 2023) in Sigi district. This research focuses on the Institutional Capacity Building of BUMDES because Sigi District is one of the many districts that has BUMDES. This study found that BUMDES faced problems in increasing human resource capacity, such as building community learning motivation because the general public did not know about it. about the natural opportunities and challenges of employees in applying the results of their training in their workplaces. This study aims to find out how village-owned enterprise institutions (BUMDes) can improve the economy of the people of Sigi Regency. This study uses qualitative and phenomenological methods. This study identified research informants who had a direct relationship with the management of natural resources by BUMDES. This study uses data analysis techniques to identify and organize data collected from field notes, interviews, and other sources. therefore easy to understand and results clearly communicated to a wide audience. The results of the research and discussion show that increasing the capacity of Village-Owned Enterprises (BUMDes) in improving the economy of the people of Sigi Regency can be measured through institutional development, human resource capacity building, and system capacity building. which didn't work.

   The similarities from the research conducted in 2022 and 2023 are, firstly the similarities in the area of variables namely discussing capacity building, the two theories used are almost the same, the methods are the same.

   The differences in research conducted by the authors in 2022 and 2023 are as follows, different times and places, different theories used, different units of analysis, different novelties and results and different recommendations, but this research is part of development of previous research.

   Furthermore, discussing the facts in the field showing that the performance of village-owned enterprises is still low, this is shown as follows: Village-owned enterprises have not run their business
effectively, for example, the majority of village-owned enterprises do not have all types of businesses that are clear, as well as the equipment needed, in business, so that Village-Owned Enterprises Under these conditions, Village-Owned Enterprises incur higher costs and obtain less than optimal profits. Other conditions show that, in the last three months from August - October 2023, product orders have decreased by around 30% each month, especially from the region (market share). This condition directly causes profit (profit) to decrease.

From the results of observations with several Village-Owned Enterprise owners, regarding institutional capacity as follows: 1) do not yet have competence, in this case they have not been able to organize their functions and roles according to business needs. 2) The ability of employees or Human Resources is still limited, for example: lack of loyalty. 3) Limitations in establishing relationships and accessing networks in taking advantage of opportunities. For example, the business network is still limited, where the existing network is in the procurement of raw materials, 4) Has not been able to obtain and access information, for example information on market opportunities or market needs, and information on marketing products, 5) Not yet able to produce superior products. 6) Do not understand the rules related to his business.

Problems with Village Owned Enterprises, including: 1) The quality of human resources for small business owners is still low, 2) Product quality is not maximized, 3) Cooperation between micro, small and medium enterprises is still low, 4) Mastery of markets and technology and 5) Limitations access to sources of capital.

Next, we will discuss the concept of institutional capacity building, including:

a. **Institutional and institutional concept**

   a. In this dissertation, institutions (institutions) are conceptually defined as the rules of the game (Adelman & Adelman, 1987); (North, 1990); (Leković, 2011), which are both formal and informal. Influence one another, and complement and replace one another to achieve goals (Zenger, 2002). The rules governing the relationship between individuals and groups are called institutions (Broner et al., 2022). In addition, (Lee & Cotte, 2009) states that institutions have various types of boundaries, namely boundaries made by humans for their interactions. Draft Boundaries can be formal, such as man-made rules or laws, or informal, such as conventions or codes of conduct.

   b. (code of conduct) or contains both; meanwhile, according to Ruttan and Hayami, 1984, institutions are rules set in a community group or organization to help its members in the hope that everyone can work together or relate to one another to achieve common goals. In addition, institutions, according to (Nugent & Nabil, 1989) (Djogo, 2003), are boundaries or controls that govern behavioral relationships between group members or individuals. By this definition, most organizations are institutions because they usually have rules that govern their relationships with members and with others outside the organization.

   c. In addition, it is said that the institution has a clear purpose and location (North, 1990: 4). According to (Tan, 1994), economic institutions function to meet the needs of human life, such as getting money, hoarding, processing, and distributing goods and services. Meanwhile, according to (Vablen, 1997: 7), business institutions (business enterprises) are formed on the basis of the motivation to seek profit.

   d. By considering the two opinions above, the authors define Village-Owned Enterprises as economic institutions that function to meet the needs of life and human livelihoods by producing, stockpiling, processing, and distributing goods and services. This organization was formed with the aim of making a profit.

b. **Capacity Building Concept**

   By considering the responses (Goodman, 1998; GTZ, 2005; JICA, 2004; UNDP, 1992; Mahsun, 2006:25; Haryanto, 29-32). Institutional capacity is defined as the ability of an institution to use resources optimally to achieve the vision, mission, goals, objectives, outputs, and impacts that have been determined in business performance. These resources can come from within the institution (HR, system, mandate, structure, budget and facilities), or from outside the institution (outside the environment or external factors).
The study of capacity building has given rise to various concepts and definitions. Some scientists interpret capacity building as capacity development or capacity strengthening, implying an initiative on developing existing capacity, while others refer to constructing capacity as a creative process of building capacity that has not yet existed. Referring to the opinion, (Marrison, 2021), ACBF (2001:9), (Millen & Shmatikov, 2001), (Brown, Tollefson, Dunn, Cromwell, & Filion, 2021) and GIZ,2001: Institutional capacity building as a process and strategy to improve the ability of individuals, groups, organizations, community or society, to encourage or drive change at various levels in individuals, groups, organizations and systems to strengthen the adaptability of a person or organization so that they can respond to environmental changes. and aims to improve the performance of an institution in achieving organizational goals.

Institutional capacity building as a cycle. (ACBF, 2001; Millen, 2001). Institutional capacity development as a process to improve the ability of individuals, groups, organizations, communities or society. Brown, at, all, 2001; GIZ, 2001. Dividing institutional capacity building into three levels which include the system level, organizational level and individual level, where Institutional capacity is the ability of an institution, in this case a Village-Owned Enterprise, to optimally use available resources, which include human resources, systems, mandates, structures, budgets and facilities, as well as the environment, to achieve the vision, mission, goals, targets, outputs, outcomes, and impacts set by the organization on business performance. Institutional capacity development as a process to improve the ability of individuals, organizations, to encourage or drive change at various levels in individuals, organizations and systems to strengthen the ability to adapt to a person or organization so that they can respond to environmental changes. The aim of institutional capacity building is to improve the performance of an institution in achieving organizational goals.

The theories in the framework of thought above are used by researchers as an important foundation that will be used as a point of view and research guide. Based on the description above, the formulation of the problem in this study is how is the institutional capacity building of Village Owned Enterprises in Sarjo Village, Sarjo District, Pasang Kayu District? The aim is to describe and analyze the institutional capacity development of Village-Owned Enterprises in Sarjo Village, Sarjo District, Pasang Kayu District.

2. Materials and Methods

In accordance with the objectives of this research, this research was conducted using a descriptive-explorative research type. The descriptive research aims to obtain an overview of institutional capacity development in village-owned enterprises in Sarjo village, Sarjo district. While exploratory research is carried out by digging deeper into institutional capacity building, as well as other parties such as the Regional Government, in this case the Village and District, in the implementation of institutional capacity building for Village Owned Enterprises in Sarjo Village, Sarjo District and their obstacles.

This research uses a qualitative approach with an inductive method to achieve the research objectives. This approach aims to understand aspects of human social life based on a holistic and complex perspective. Informants' views are processed through words, recording, interpreting, and conveying in detail the perspective of this informant, which is considered to originate from sociocultural problems. A case study is a research approach in which the researcher studies a program, event, activity, process or group of people as a whole. The study was limited by time and activity, and various data collection methods were used during the set time to gather information. (Creswell & Creswell, 2017).

The object of this research is the development of institutional capacity of village-owned enterprises in Sarjo Village, Sarjo District. As stated in the research design section, the method used in this study is a qualitative method with in-depth exploration of the research object. The focus of this research includes institutional capacity. The informants were obtained in two ways, namely by determining the key person and snowballing. Key person for informants, Snowballing is carried out to
determine stakeholder informants, besides that snowbolling informants is also carried out if information or issues of interested parties are found that need further exploration and which affect the research being carried out.

The size of the number of informants is adjusted to the number of researchers' needs, while the informants are related to institutional Researchers have taken several steps to collect qualitative data, such as limiting research, collecting data through observation and interviews (both structured and semi-structured), making documentation, using visual materials, and creating protocols for recording or recording data. Collection of Documents, Collection of Audio and Visual Material

The validity that has been carried out by researchers in this qualitative research is by using three of the eight validity strategies proposed by (Creswell & Creswell, 2017), namely:

a. Conduct data triangulation based on different data sources by examining evidence from various sources related to the development of institutional capacity of village-owned enterprises in Sarjo village, Sarjo sub-district and then using it to support the overall themes,

b. Conduct method triangulation: the methods used in data collection include observation, interviews, and documents or questionnaires. Ask the researcher's opinion in the interview report to ensure that the research results are accurate.

Basically, the data processing carried out by researchers is an attempt to make sense of data and or information in the form of text or images. This process is carried out before performing the analysis and gaining a better understanding of its meaning. Some researchers compare studying the layers of an onion to understanding its deeper meaning. (Creswell & Creswell, 2017) layer by layer.

The above research analysis was carried out even before data collection was completed. In the drawing and testing stages of conclusions, researchers always "come back" to get confirmation of facts and field data. This analysis during data collection was conducted to determine the focus (centre of interest), create analytic questions and initial propositions, and provide the basis for post-data collection analysis (analysis after data collection). Therefore, data analysis was carried out repeatedly. (cyclical) (Raharjo, 2019).

3. Results and Discussions

It has been 9 years since the Village Law was passed, but the development of Village Owned Enterprises (BUMDes) in various regions in Indonesia has not shown optimal performance. Even though the role of Bumdes is quite vital in order to boost the national economy starting from the village. The management of Bumdes refers to Permendesa Number 4 of 2015 concerning Establishment, Administration and Management, and Dissolution of Village-Owned Enterprises. One of the Bumdes that needs institutional revitalization and optimization is the Bumdes in Sarjo Village, Sarjo District, Pasangkayu Regency (North Mamuju) West Sulawesi Province.

Individual Capacity Development (HR)

Starting from the recruitment process for BUMDES MANAGEMENT employees in Sarjo Village, the recruitment of BUMDES management or personnel was based on the results of recommendations and discussions with representatives of community leaders who were approved and approved by the village head. Furthermore, based on the results of the research, by interviewing the Head of Bumdes and Head of Sarjo Village, Mr. Aldi explained, Bumdes Sarjo was established in 2017. Initially he was secretary, then now he is chairman. Currently, the BUMDes has 12 administrators. So far, he and other Bumdes Sarjo officials have not received intensive training, only simple financial training.

"We have never received HR capacity building training, business training and the like,".

However, if human resource development is lacking, village institutional and entrepreneurial capacity will fail to develop. In addition, when questioning matters related to the program planning process, everything has not gone well because they do not yet have facilities, both the secretariat office
and other equipment. Based on the results of the research, the researchers analyzed that the level of success or progress of the Bumdes in Sarjo Village may not be as expected because there are several indicators or parameters that have not been carried out coherently, including, first, Recruitment of management that has not been carried out professionally, the two Bumdes personnel are maximally still rich in structure but minimal function so that there are a number of important notes that must be carried out when human resources are abundant or too many, it must be balanced with capacity building through training and this has not been implemented properly. Third, an organization must have good and mature planning regarding program plans, program implementation, and program evaluation where this is part of professional organizational management but this has not been implemented so it needs to be a concern that must be done.

Organizational Capacity Building (STRUCTURE)

With regard to organizational capacity development, it is related to structure, communication and coordination, this has an important role in developing institutional capacity. Although in reality there is minimal training and the role of the local government for Bumdes in Pasangkayau district, especially Bumdes Sarjo, but at least they have a business being run, namely tunnel rental, cattle and rental of electronic musical instruments. According to the head of the village village and head of Bumdes "We have 9 cows that are bred and ready to sell. Prices range from IDR 9 million to IDR 12 million," (Andrianto, Matoati, & Ermawati, 2023). These cows are stored in the residents' place because the Bumdes do not yet have their own land. The electone rental was running before the Covid-19 pandemic. After the pandemic, the rental of electronics has stagnated, especially now that technology is getting more sophisticated, people can play music or do karaoke from their cellphones. For tunnels, the rental price is IDR 125,000 per plot and is still effectively running.

From the Bumdes business income, there is a profit sharing per year, namely 15 percent for village institutions, 5 percent for the supervisor or village head, 80 percent of which goes to Bumdes, including for administrator fees. This was stated in Perdes rules. He explained, this Bumdes originates from its budgeted capital from the central village fund, namely from the Ministry of Villages. The role of local government in the development of Bumdes has not been maximized. This is a challenge for Bumdes administrators. Besides that, the lack of business capital is an obstacle in the development of Bumdes Surjo. "In 2023 we plan to add more cows, but are constrained by capital, (Bumdes Chief, 2023). The development of Bumdes is also faced with the challenge of a lack of communication and coordination between Bumdes management

On the internal side, Bumdes Sarjo is also not yet complete. This Bumdes doesn't have an office yet, currently it's still a ride-hailing. There is no office, automatically this BUMDes does not have an organizational structure chart. The impact of the work system is erratic. Based on the results of the research above, the researchers conducted an issue analysis by conducting an analysis based on the research data obtained which was based on indicators that became questionable, among others, First, the role of the Regional Government in strengthening BUMDES had not met expectations, so it could be said that it was not optimal. The two governments in pushing for the progress of BUMDES have not been comfortable with the actions taken. The three organizational structures and work procedures for Bumdes currently have human resources, but the structure does not yet exist because the work system is not optimal because it does not have its own office or room. The four obstacles experienced by Bumdes in Sarjo Village are, Capital, HR training or HR capacity, business opportunities that are still in doubt, offices, and government participation that has not been maximized. The five targets for Bumdes Sarjo this year are to increase capital and add a business that is quickly profitable, even though it is still in the process of designing and formulating. The six employees of Bumdes Sarjo receive an honor or an uncertain incentive because honors are only based on income or profits from the business being managed, namely 80% of the profits from the business made are used as business capital again, operational including honorifics. The seven businesses that are run by Sarjo's bumdes already exist and of course are already running so they only need coaching and maximizing the potential of existing businesses. The
eight BUMDES reports are always given to the village head in accordance with the provisions. Finally, Bumdes Sarjo has sufficient capital and the capital comes from the village, so that in the future the Bumdes through the village head can access capital through investors or others.

**System Development (Institutional)**

Furthermore, the results of the research are related to the system or rules and basis for implementing Bumdes in Sarjo Village, Sarjo District. Based on the results of the research that the basis for implementing Bumdes in Sarjo Village is PERDES (Village Regulations), but this rule has been around for a long time. Then, currently there are no Bumdes community associations or containers in their area. The informant said "There used to be Bumdes associations from the central and district levels, but now they don't exist anymore, whether it's a vacuum or it doesn't really work. Furthermore, with regard to operational guidelines, they are only aligned with PERDES, there are no operational guidelines, especially PERDES. It also requires revision or Innovation from these rules so that they are adapted to the progress of the times and technological developments then related to changes in structure and management. The informant also revealed that his party needed guidance from the local government to revitalize and boost the Bumdes institution so that it is more professional. management capacity, establishment of offices and business development of Bumdes. In this way, the goal of Bumdes to strengthen the village economy can be realized as expected.

Based on the research results in the bag, the researchers analyzed the indicators in system development based on the data and facts obtained. first, the basis for BUMDES rules is the lowest perdes rules, but these rules already require revision to keep up with the times. Moreover, there are no operational guideline taps belonging to BUMDes. Second, there is no Bumdes coordinating team forum facilitated by the regional government for the flow and channel of Bumdes coordination and development, so the role of the local government is needed so that Bumdes can be massive and dynamic. The three work rules for BUMDes personnel have not met expectations because there are no clear rules regarding the BUMDes work procedures. The four operational guidelines or Bumdes regulations are only based on old Perdes.

4. **Conclusion**

First, in terms of individual capacity development, the number of Bumdes personnel in Sarjo Village has been maximized and exists.

Second, in terms of structural capacity development, the obstacles experienced by the Bumdes in Sarjo Village lie in capital, determining the right business and human resource capabilities. Sarjo Bumdes target this year is to add new businesses to get lots of profits. Employees of Bumdes Sarjo get Honor or Incentives that come from business profits at Bumdes Sarjo Adesa. The businesses run by the Sarjo bumbes are tent rentals, cattle farms and electones. Bumdes reports are always given to the village head in accordance with applicable regulations. Bumdes Sarjo has sufficient capital and the capital comes from village funds.

The third is from the development of systems or rules. The basis for BUMDES rules is village regulations and operational guidelines or Bumdes SOPs guided by village regulations, then the current BUMDES operational rules and guidelines are in accordance but require revision.

5. **References**


Berry, Albert, Rodriguez, Edgard, & Sandee, Henry. (2001). Small and medium enterprise dynamics in


