

Identification of Potential Cooperation Between MSMEs and BUMDES to Improve The Economy of The Community in Sikapat Village Banyumas Regency

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ABSTRACT

In 2020, in Banyumas Regency 84,350 MSMEs absorb 127,534 workers. However, these MSMEs have not significantly improved people's welfare because, during 2011-2019, the average proportion of poor people in Banyumas Regency was higher than the average for Central Java Province. This is due to the low productivity of SMEs. One solution to these problems is to optimize cooperation between MSMEs and Village-Owned Enterprises (BUMDES). Both are potential villages, so if they can work together, they will be a force in encouraging community welfare improvement. One of the areas in Banyumas Regency with a relatively large number of MSMEs and there is a BUMDES that performs well is Sikapat Village, Sumbang District. This study aims to identify problems and potential for collaboration between MSMEs and BUMDES in Sikapat Village, which was carried out qualitatively using primary data. The results showed that the problems of MSMEs were related to capital, production, and marketing. Opportunities for cooperation between MSMEs and BUMDES are possible. BUMDES aims to develop the village economy and improve community welfare, while the community (MSMEs) also has positive expectations for BUMDES to be a solution to their problems. To create harmonious cooperation, it is necessary for the efforts of both parties to provide mutual benefits from the cooperation. To create synergistic cooperation, support from various stakeholders is needed.

Keywords: Potential cooperation; BUMDES; MSMEs; public welfare

1. Introduction

MSMEs are one of Indonesia's most potential economic sectors because they are relatively large in number and can absorb a rather large workforce. According to the Ministry of Cooperatives and SMEs, the number of MSMEs in Indonesia continues to increase. In 2019, the number of MSMEs reached 65.47 million units. This number increased by 1.98 % compared to the previous year, which amounted to 64.19 million units, equivalent to 99.99% of the total business in Indonesia. Meanwhile, large-scale enterprises only amounted to 5,637 units, equivalent to 0.01 %. In detail,

as many as 64.6 million units are micro-enterprises. The amount is equal to 98.67 % of the total MSMEs throughout Indonesia. A total of 798,679 units are small businesses. The proportion is 1.22 % of the total MSMEs in the country. Meanwhile, medium-sized enterprises only have 65,465 units, equivalent to 0.1 % of the total MSMEs in Indonesia (Mahdi, 2022).

The data is in line with the national level, the number of MSMEs in Banyumas Regency is also significant, but the impact on the community is still not substantial. This condition can be seen from the indicator that the poverty rate is still relatively high in Banyumas Regency. Based on data from *Dinas Tenaga kerja, Koperasi, dan UKM Kabupaten Banyumas* (Department of Manpower, Cooperatives, and SMEs Banyumas Regency), in 2020, in Banyumas Regency, 84,350 MSMEs absorbed 127,534 workers. However, these MSMEs have not had a significant impact on improving people's welfare because, based on BPS data (2020), during 2011-2019, the average proportion of poor people in Banyumas Regency (17.14 percent) was higher than the average of Central Java province (13.47 percent). This condition is due to the low productivity of MSMEs. Among the obstacles to increase MSME productivities are limited capital and market access. On the other hand, villages with many MSMEs have different economic potentials that can solve MSME problems, namely *Badan Usaha Milik Desa* (BUMDES). Through synergistic cooperation between the two, it can accelerate the improvement of the welfare of rural communities.

One of the areas in Banyumas Regency, which has a relatively large number of MSMEs and there is a BUMDES that performs well, is Sikapat Village. Based on the results of the semi-annual evaluation of the performance of BUMDES conducted by the Village Facilitator in the Sumbang District, BUMDES in Sikapat belongs to the advanced BUMDES category (BUMDES Administration Document, 2022). However, in Sikapat Village, there is no cooperative relationship between MSMEs and BUMDES. Therefore, to connect the cooperation between the two villages' economic potentials in the village of Sikapat, it is necessary to identify the potential for collaboration that both parties can carry out.

2. Literature Review

Inclusive development is a new paradigm in economic development. Inclusive development seeks to involve the whole community, without exception, in the process of creating added value and various supporting facilities and infrastructure so that it is hoped that the involvement of the community as a whole will provide opportunities for them to earn income and improve their welfare. It means that through inclusive development, it is hoped that there will be an equal distribution of income and reduce poverty (Tambunan, 2016)

The inclusive development paradigm is in line with the concept of an endogenous development approach for rural areas. According to Diochon (2003) in Arsyad et al. (2018), in the 1980s and 1990s, there was a shift from top-down policy to bottom-up, namely an approach that no longer emphasizes results but rather a process approach. With an endogenous development approach, community-based economic growth can be created, which is expected to maintain and accelerate the development of local resources and industries. Vasquez- Barquero (2002) in Arsyad et al. (2018) states that endogenous development strategies seek the satisfaction of local needs and demands through the active participation of local communities in the development process. Endogenous development is related to the operation of capital accumulation in a specific area by considering the region's capacity to spread innovation throughout the local production system and

the role of the local innovation system. Therefore, the efficiency of using local potential is also determined by the work of institutions in rural areas.

Efforts to involve the entire community in the development process can be carried out through community empowerment to carry out productive activities under the potential of the region. To achieve the effectiveness of community empowerment in achieving its goals, direction and assistance from various relevant stakeholders are needed. This condition is in line with the research results of Rahajuni et al. (2018) and Irmawati et al. (2013), which show that assistance is needed to maintain their motivation in community empowerment. Then research by Badriah and Rahajuni (2012) showed that community empowerment programs through productive economic development could increase the recipients' income.

The development of MSMEs provides an opportunity for the community to empower themselves because everyone can access MSMEs with relative ease. However, in general, MSMEs have obstacles in their business development, such as limited capital, limited market access, and limited access to information related to market opportunities. The presence of BUMDES can be one solution to the MSME problem. Village Law No. 6 of 2014, article 89, provides an opportunity for BUMDES to become a solution to MSME problems, namely through collaboration between MSMEs and BUMDES. BUMDES can carry out its function as a market and source of access to capital for MSMEs. This condition is in line with the results of previous studies that supply chain finance can improve the performance of MSMEs in Pakistan (Ali et al., 2018).

Khan (2020), researching bank microfinance and its effect on MSMEs in Nigeria, shows that banks have a role in encouraging the development of MSMEs. However, the existence of loan requirements hinders small entrepreneurs from accessing microcredit. Under these conditions, the government needs to provide assistance and facilities for banks so that the role of banks in encouraging MSMEs can be optimal. Considering that MSME access to banks is relatively limited due to various requirements that MSMEs must meet, then one solution that can be done is through collaboration with BUMDES. However, this collaboration requires a joint commitment to achieve a common goal, namely that both MSMEs and BUMDES want to get maximum profit. Therefore, MSMEs must be ready when they want to join BUMDES, both in terms of production capacity and product quality. BUMDES must also be able to improve its services under its objectives, namely, to improve the welfare of rural communities.

3. Research Methodology

This is a survey research with a descriptive analytical method using a qualitative approach. This research is located in Sikapat Village, Sumbang Subdistrict, Banyumas Regency, with a population of MSMEs and BUMDES. The number of MSME respondents in this study was 25 people who were taken by purposive sampling method, namely MSMEs that had relatively different businesses from one another and one BUMDES in Sikapat Village. Informants are the Community and Village Empowerment Service; Department of Manpower, Cooperatives, and SMEs; ASPIKMAS; District Government; and Village Government. Furthermore, the data were analyzed qualitatively.

4. Results and Discussion

Sikapat Village is located in the Sub-District of Sumbang, Banyumas Regency. The Subdistrict of Sumbang has excellent potential in agriculture and nature tourism. Meanwhile, the potential of

Sikapat Village is agriculture (fields, secondary crops/*palawija*, flowers), animal husbandry, tourism, and fish farming because there is an enormous water potential. The potential of Sikapat Village can be an opportunity for improving community welfare if it can be explored and utilized optimally. The community in Sikapat Village has tried to take advantage of the potential of their village through productive activities of SMEs engaged in agriculture, such as selling flower crops, basic necessities goods, fruit, *palawija*, and small industries such as the production of *jenang jacket*, *manggleng*, and other snacks. However at this time their business has not been able to develop optimally because they have problems related to capital, production capabilities, and marketing.

Meanwhile, on the other hand, Sikapat Village has a *Badan Usaha Milik Desa* (BUMDES) named Mitra Sejahtera Sikapat. BUMDES has actually existed since the issuance of the Regulation of the Minister of Villages, Underdeveloped Village Development, and Transmigration of the Republic of Indonesia Number 4 of 2015 concerning the Establishment, Management, and Dissolution of BUMDES. However, until 2020, the activities are still limited, especially after the COVID-19 pandemic. Therefore, the process of establishing BUMDES has been renewed again since BUMDES became a legal entity, namely in 2021. The basis for establishing the BUMDES is Village Regulation No. 6 of 2021. The BUMDES of Sikapat Village already has a Legal Entity with No. AHU-01540.A1.33 Year 2021. BUMDES aims to provide welfare for the community and make the community independent and productive.

Since its existence, BUMDES in Sikapat Village already has three business units, utilizing the village's unique potential, which is engaged in public services and rentals. The three business units are: Market Management, Clean Water Management, and Randu Bengkong Tourism Village Park. The source of capital of the market management unit came from village reserves, which BUMDES has managed since 2021. The source of capital of the clean water management came from Pansimas/PNPM at that time, managed by BUMDES since 2021.

Based on the results of an interview with the Director of BUMDES Mitra Sejahtera Sikapat, on August 15, 2022, Randu Bengkong Tourism Village Park received capital from the Village Fund as much as 20 million, which BUMDES managed. BUMDES is only involved in its management in the market business unit, while market buildings are village assets. The control of the market handled by BUMDES is in the form of withdrawing a kiosk rental, which ranges from Rp. 1000 – Rp. 2000 per day, depending on the kiosk size, and renting a kiosk with an annual payment of less than Rp. 500,000.00. Likewise, with the Randu Bengkong Tourism Village Park, the facilities of Park are village assets, while the maintenance is the responsibility of the BUMDES. The three business units of BUMDES have employed 36 people in the village.

The development of BUMDES Mitra Sejahtera Sikapat is relatively good, and based on the results of the performance evaluation of BUMDES until mid-2022, the performance of this BUMDES is included in the Advanced category. The average profit from the three types of businesses is IDR 25 million per month. The biggest potential as a source of profit is from the Randu Bengkong Tourism Village Park. The average number of visits on weekends is around 100 people, while on weekdays the average number of visits is around 20 people. Randu Bengkong ticket prices are divided into three categories: IDR 10,000 for adults, IDR 7,000 for children, and IDR 2,000 for residents of Sikapat. The contribution of BUMDES from Randu Bengkong tourism village park to

village income in 2021 is around Rp60 million. The contribution is determined to be 42% of the BUMDES net profit, based on *Musyawah Desa* (Village Council).

The existence of BUMDES in Sikapat Village, with enormous potential to continue to grow, provides a tremendous opportunity for the development of productive businesses in rural communities and can be a solution to the current problems of MSMEs. Actually, the cooperation already exists but it is still limited and not yet optimal. The collaboration was carried out with the *PKK RW* and *PKK Desa* groups. Even though there are still many MSMEs in Sikapat Village that have not been accommodated by BUMDES. There is some potential for agricultural sector has not been managed even though the market potential is relatively large.

Opportunities for collaboration between MSMEs and BUMDES can also be known from the results of primary data analysis based on interviews and questionnaires distributed to MSMEs and BUMDES. This indicator can be known in the response of SMEs to the possibility of cooperation with BUMDES. Most of them stated that they agreed to cooperate, among others, in the form of providing raw materials, capital, production training, and product marketing. As for the small part of those who disagree, it is suspected that they do not know about things related to BUMDES. Likewise, the conditions are in line when viewed from the response of BUMDES to cooperation with MSMEs. BUMDES responds to MSME expectations of BUMDES as a savings and loan services provider by directing further developments through BUMDESMA. Opportunities for cooperation between BUMDES and MSMEs are also in product marketing. BUMDES can be a facilitator in marketing MSME products.

Opportunities for cooperation can also be known from the expectations of MSMEs towards BUMDES and BUMDES expectations towards MSMEs. Based on the interviews that have been conducted, it is known that the expectations of MSMEs for cooperation with BUMDES in Sikapat Village are that they are given convenience in product marketing so that they can develop together; can increase income due to increased sales of goods in BUMDES; can develop business and mutual benefit; BUMDES can provide more benefits for business actors; BUMDES can cooperate with all micro-enterprises in the community; BUMDES is expected to be able to help MSMEs to be more advanced and revive the economy of rural communities. On the other hand, BUMDES hopes that MSMEs can develop through the marketing facilities provided by BUMDES. In terms of cooperation, there needs to be a synergy between BUMDES and MSMEs. In addition, BUMDES hopes to develop business with a broader market, not only for consumers in Sikapat Village but also for consumers outside of Sikapat.

6. Conclusion

The potential for cooperation between MSMEs and BUMDES in Sikapat Village is relatively large, considering that both parties responded positively to the opportunities for collaboration. The expectations of MSMEs are in line with the expectations of BUMDES in cooperating, where MSMEs hope that BUMDES can be a solution to their problems, such as those related to the provision of raw materials, access to capital, and product marketing. While BUMDES also has the hope of being able to establish mutually beneficial cooperation between the two. BUMDES, as a Village-Owned Enterprise, is an institution with a profit orientation, so it is hoped that when MSMEs work with BUMDES, they are ready to create products worth selling.

This study implies that to realize the potential for cooperation between MSMEs and BUMDES in Sikapat Village, in particular, there needs to be the involvement of competent parties, such as local governments, the private sector, and universities, to bridge the cooperation between the two, both in formal legal administration and in increasing the competence of its human resources to carry out various productive activities.

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