

## **Bumdesa's Role In Village Poverty Reduction**

### **Peran Bumdesa Dalam Penanggulangan Kemiskinan Di Desa**

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#### **ABSTRACT**

*BUMDes plays a crucial role in poverty alleviation as a village economic institution. Its establishment was aimed at eradicating poverty, which is a prevalent issue in most Indonesian villages. Villages have the potential for community empowerment, development of infrastructure and services, and poverty alleviation. The objective is to eliminate poverty and minimize the poverty rate. Through descriptive qualitative analysis and data obtained from literature review, scientific studies, and relevant laws and regulations, the researcher is interested in producing a scientific paper on the role of BUMDes in reducing poverty in villages. Conclusion is that when BUMDes are managed professionally and effectively through empowerment, community can participate in becoming village entrepreneurs who produce marketable products in collaboration with BUMDes, thus empowering community and enabling them to meet their basic needs and free them from shackles of poverty that they suffered for so long.*

**Keywords:** BUMDes, village, poverty

#### **ABSTRAK**

BUMDes memainkan peran penting dalam pengentasan kemiskinan sebagai lembaga ekonomi desa. Pendiannya ditujukan untuk mengentaskan kemiskinan, yang merupakan masalah umum di sebagian besar desa di Indonesia. Desa memiliki potensi untuk pemberdayaan masyarakat, pengembangan infrastruktur dan layanan, serta pengentasan kemiskinan. Tujuannya adalah untuk menghapuskan kemiskinan dan meminimalisir angka kemiskinan. Melalui analisis deskriptif kualitatif dan data yang diperoleh dari studi literatur, kajian ilmiah, dan peraturan perundang-undangan yang relevan, peneliti tertarik untuk membuat karya tulis ilmiah tentang peran BUMDes dalam mengurangi kemiskinan di desa. Kesimpulannya adalah ketika BUMDes dikelola secara profesional dan efektif melalui pemberdayaan, masyarakat dapat berpartisipasi menjadi wirausahawan desa yang menghasilkan produk yang dapat dipasarkan melalui kerja sama dengan BUMDes, sehingga memberdayakan masyarakat dan memungkinkan mereka untuk memenuhi kebutuhan dasar mereka dan membebaskan mereka dari belenggu kemiskinan yang telah lama mereka derita.

**Kata Kunci:** Badan Usaha Milik Desa (BUMDes), desa, kemiskinan

#### **1. Introduction**

No changes have been made to the content. The text maintains a logical flow of information with causal links between statements. Poverty is a condition of lacking material possessions or having insufficient income to meet basic needs (Suharto, 2017). To ensure objectivity, subjective evaluations have been excluded. It can be caused by various factors, such as social structure, agency, and gender. The text follows conventional academic structure and formatting, adhering to style guides and consistent citation. The existence of an elite group entitled to local leadership is an example of social structure. Language is clear, objective, and value-neutral, with a formal register and precise word choice. Grammar, spelling, and punctuation are checked for accuracy. The agency factor is influenced by various factors, including individual abilities and ownership of material assets. In terms of gender, patriarchal culture often favors men as the dominant subject, as noted by Isdijoso et al. (2016).

Additionally, many rural communities rely on the agricultural sector for their livelihoods, which can result in uncertain income and even losses due to crop failure. Limited access to

education has a significant impact on this situation, resulting in relatively low community resources. Rural communities tend to be sincere and accepting of their situation, which means they do not always rely on money. As a result, the village community may not have a strong desire to improve their living conditions.

According to Article 1, Paragraph 43 of Law No. 23 of 2014 on Regional Autonomy, villages have the authority to regulate and manage government affairs and community interests based on local community initiatives. This means that villages can determine, decide, and implement programs to address regional issues, including poverty reduction. To combat poverty, community empowerment is carried out to achieve economic prosperity for the poor. Developing village potential can support the pace of development and economic growth of rural areas.

The community empowerment program, specifically the BUMDes program, can have a positive impact on village communities. Empowerment is a process that must be adapted to the problems experienced by the community.

Zubaedi (2013) presents several models of empowerment, including direct assistance to those in need and development to increase capabilities and promote independence in the community. Additionally, Wahyuni (2017) suggests empowering poor communities who have been marginalized by unfair political processes by providing them with support and strength. The empowerment model aims to achieve measurable success through indicators such as increased mobility, meeting basic needs, purchasing tertiary goods, and making decisions on certain matters.

The BUMDesa, or Village Economic Unit, was established by the community and the village administration to administer and manage an economic unit. The village may elect individuals with entrepreneurial skills to manage the BUMDesa. To ensure professional management of the BUMDesa, the village may consult with the BPD and the community through a consultation forum. The BUMDesa is a village-owned economic unit with initial capital mostly from the village and participation from the community or donors in the village. It is important that the community, the government and the BPD take into account the voice of the majority when appointing competent individuals from the community to manage the BUMDes. When properly managed, BUMDes can play a strategic role in reducing village poverty.

It is the responsibility of the village government and other village communities to alleviate poverty in the village. Poverty can be reduced and even overcome through the use of BUMDes and the empowerment of the village government in cooperation with BUMDes. The promotion of the general welfare of the people is the objective of the Preamble of the 1945 Constitution. The promotion of general welfare is achieved by empowering the poor.

As the majority of Indonesia's population lives in villages, and as a result, most of the country's poor live in rural areas, the government has implemented policies aimed at empowering villages as owners, actors, and implementers of development. To support this, the government provides annual financial assistance to villages through APBN, known as Dana Desa. This funding strengthens village institutions, supports village development, and helps address issues related to rural poverty alleviation. Dana Desa has been implemented since 2014 and will continue until 2021. In 2022, its impact is already being felt as villages are undertaking various development activities that benefit the community, especially those who are classified as vulnerable and unable to meet their basic needs. These individuals are typically the impoverished members of the village.

Although poverty still exists in villages, various efforts have been made to overcome it. The Village Fund has played a significant role in reducing poverty rates. According to the Central Statistics Agency, the poverty rate was 27.73 people or 10.96% in 2014, but as of September 2021, it has decreased to 14.64 million people or 9.71%. The government remains committed to providing welfare despite the ongoing Covid-19 pandemic and the implementation of PPKM

Level III in Java and Bali, and PPKM Level II in various other regions of Indonesia. To help people maintain their purchasing power during the pandemic, the community has implemented various measures.

Jatinangor regency, specifically Hegarmanah Village, Cipacing Village and Sayang Village, is an example of BUMDes' poverty alleviation efforts in Sumedang regency. For instance, BUMDes Cipacing Village collaborates and cooperates with communities that have home industries and handicrafts, such as air rifles, which are known internationally.

BUMDes serves as a marketing intermediary for the handicrafts produced by BUMDes in Jatinangor District, which are marketed in tourist areas on the island of Bali. At present, the community in Jatinangor District is able and empowered to meet their basic needs and even to send their children to university. Apart from changes in the community's standard of living, the existence of an educational area in Jatinangor has empowered the people and enabled them to fulfill their basic needs.

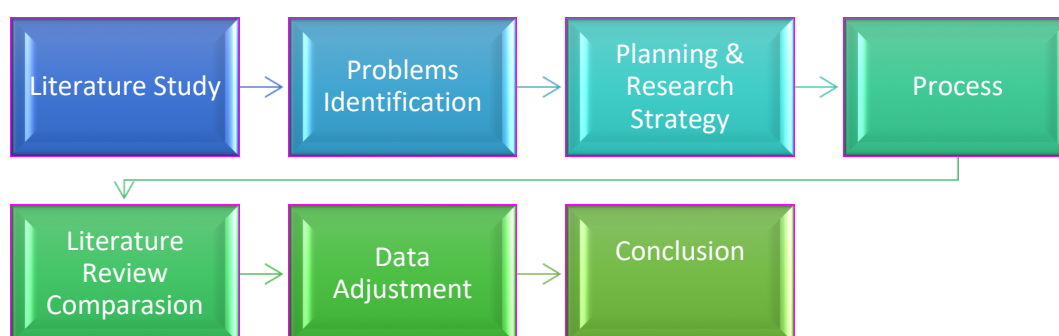
This has resulted in successful poverty alleviation in the region. Several villages in Garut Regency have successfully strengthened the role of BUMDes in improving the economy of their communities by implementing various cottage industry programs, including the processing of traditional Garut dodol food, as well as the production of cokodot, a chocolate-covered version of Garut dodol, and other traditional foods such as block cake and burayot cake. This success demonstrates the effectiveness of BUMDes in supporting village communities.

Some BUMDes can be successful and provide motivation for the community to empower themselves and produce so that the BUMDes can market their products. The government strongly supports the existence of BUMDes to provide benefits for poverty alleviation in villages.

Currently, not all BUMDes in Indonesia are operational due to the lack of human resource support in some villages, which hinders their ability to function like other BUMDes. Therefore, the Ministry of Villages has ordered that each village must have competent village assistants, or each sub-district must have 1 or 2 village assistants who can provide assistance in several villages. The Village Community Empowerment Service, which is located in each county and city, provides funds for village assistance, and it is important for officials and the community to take this assistance seriously in order to benefit from it.

## 2. Method

A qualitative methodology is used in this methodology because the data source and research findings in library research are in the form of word descriptions. Library research is a type of research that involves collecting data from various literature sources such as books, journals, and other repositories, according to Mahmud's book on educational research methods.



**Graphic 1. Flowchart Research Method Literature Review**

### 3. Result & Discussion

The World Bank's modernization paradigm and the UNDP's populist development paradigm still view poverty as an individual issue, giving less consideration to structural poverty. It is important to note that poverty is not solely an individual issue, but also a structural one. The measurement system and indicators used focus on the 'condition' or 'state' of poverty based on dominant economic factors. Poor people are defined as those who lack basic necessities such as food, health, and education.

Both perspectives on poverty alleviation fail to fully capture the variables that contribute to the dynamics of poverty. The current method relies solely on outcome indicators, neglecting important aspects related to the actors and causes of poverty. The current method relies solely on outcome indicators, neglecting important aspects related to the actors and causes of poverty. The current method relies solely on outcome indicators, neglecting important aspects related to the actors and causes of poverty. This approach portrays poor people as passive victims and mere subjects of research. Instead, poverty assessment should focus on identifying the living conditions of individuals and their potential for improvement.

This requires a change in the conceptual framework and methodology of poverty measurement. According to Suharto (2009), poverty assessment should not view poor people as individuals with nothing. However, individuals with potential, no matter how limited, can help alleviate poverty. The current approach focuses on highlighting the assets of impoverished individuals rather than their deficiencies. These assets may include personal and social resources, as well as locally developed coping mechanisms.

Poverty should be viewed through a dynamic lens that takes into account the efforts and capabilities of those living in poverty to respond to their situation, and not just through the static characteristics of impoverished individuals. When measuring poverty, it is important to use composite indicators that take into account family or household units of analysis, rather than relying on single indicators.

The concept of social capabilities provides a more comprehensive understanding of poverty conditions and dynamics than the concept of income alone. The measurement of social capabilities of poor families can be focused on several key indicators, including their ability to secure livelihoods (livelihood capabilities), meet basic needs (basic needs fulfillment), manage assets (asset management), access resources (access to resources), participate in community activities (access to social capital), and have access to social services (access to services). activities (access to social capital), and cope with shocks and pressure.

This approach aims to reveal another dimension of the causes of poverty, namely the structures and institutions that have resulted in limited access for certain groups in society, particularly rural communities. By using this approach, researchers can see that the root of poverty is not solely based on individual abilities, but also on how societal structures and institutions provide equal opportunities for all groups to achieve independence and freedom.

One approach to addressing poverty is to enhance the productivity of rural communities. According to economic theory, productivity is a function of production factors. In societies with a market structure that approaches perfect competition, productivity is primarily determined by labor production factors and is also supported by the role of Badan Usaha Milik Desa or BUMDes.

Related to roles, roles are a process in activities where people participate and take on their respective functions to achieve predetermined goals. A role can be defined as a character attached to an actor in a drama performance, which in a social context is a function that a person carries out when holding a position in the social structure according to Suhartono (2006).

This passage describes the role and expectations of individuals in a position within an organization. It emphasizes the importance of role behavior and how it is influenced by the

organizational environment. A role is defined as an activity carried out by an individual or group in order to achieve organizational goals as determined by the organization.

Established under Law 6/2014, BUMDes is a village financial institution. This approach is not based on human intervention in the political process, but rather on community empowerment. By empowering the community, it can avoid the disability caused by poverty and participate in village development. Empowered communities are able to meet their basic needs.

Sumodiningrat (1996) defines poverty in three ways: absolute poverty, cultural poverty and relative poverty. Absolute poverty refers to a person's income that does not meet the minimum needs of life such as food, clothing, health, shelter and education. Cultural poverty occurs when someone does not try to improve their standard of living, even though they have the ability to do so and there are efforts by outside parties to help them. Relative poverty is poverty that is linked to structural development issues.

Protecting poor households and empowering communities to help those in structural poverty can be part of efforts to alleviate poverty. Overcoming poverty can be achieved through indirect policies aimed at targets, policies directly targeting specific groups, and special programs for poor individuals.

The government has been implementing poverty alleviation programs for a long time. However, these programs are only carried out by the government and the village community, and only benefit those who receive them. Currently, villages must take the initiative to eradicate poverty within their communities. The budget to overcome poverty already exists and is accommodated in village funds. The challenge is to effectively utilize these funds to significantly reduce poverty rates. This can be achieved through discussions with the BPD, District, and Regency/City Government.

The Social Safety Network is the only program still controlled centrally and coordinated by the Ministry of Social Affairs. Given this situation, it is imperative to address poverty in rural areas immediately, or at least reduce it. The government has remained silent and has not taken sufficient action to address poverty in rural areas.

However, the government, through various policies established and assisted by several ministries and state institutions, is actively working to overcome poverty in villages. If these policies are implemented in an integrated and simultaneous manner, the poverty rate will decrease significantly. This has been proven since the introduction of the new Village Law in 2014, and the poverty rate has decreased significantly until 2021. In 2014, the poverty rate was above 10%, but it has now decreased to 9%. This decrease is proof of the hard work of all parties involved, including villages, sub-districts, districts/cities, provinces, the government, and various organizations. The poverty rate has fallen by one digit.

The government is implementing poverty alleviation measures in villages in accordance with Law 6 of 2014, which pertains to Villages, and the provision of village financial assistance. This assistance is allocated annually from the APBN and is referred to as Dana Desa. The program provides funding from the government to stimulate development in Indonesia's villages to quickly improve village infrastructure, strengthen communities, and address issues such as poverty. It demonstrates the government's commitment to giving villages the authority to manage their finances and provide services to their communities. The program aims to empower communities to participate in village development.

The village law allows for the establishment of BUMDes, with funding coming from both the village and participating community members with economic capacity. Through the initiative of the village community and staff, the village-owned business unit, BUMDes, was established. Its purpose is to alleviate poverty in villages through professional management. BUMDes, s is a response to both the internal and external needs of the village. The government also provides support through social safety nets (JPS) and other programs.

According to the poverty figures released by BPS, the poverty rate has decreased significantly, indicating that the regional and national governments have been successful in reducing poverty in Indonesia. While it is true that some individuals may not be satisfied with JPS programs, it is important to consider the broader impact on Indonesian society as a whole, from Sabang to Merauke.

The implementation of the JPS was rushed and missed the mark, as Mubyarto has pointed out. Additionally, it is worth noting that the JPS is still considered a 'project' rather than a fully-fledged program. Transforming a program into a project creates opportunities for local government officials at the provincial level to become "project owners" through various decrees, while poor people become project implementers. It is important to note, however, that regional empowerment programs that aim to overcome the effects of the economic crisis should be exclusively for the benefit of the poor. However, it is difficult for village community empowerment institutions to determine programs because of the sustainability criteria in the allocation of JPS funds.

The Government's efforts to develop the villages have had a positive impact, resulting in a more enthusiastic and empowered community. To gain confidence in their abilities, those who still lack empowerment are encouraged to engage in discussions with village officials and successful individuals.

Essentially, humans are born with unique abilities and talents, created by a higher power. However, not all individuals possess sufficient Empowerment, and therefore need the support of their local government, specifically the Village, to become empowered. Villages have a critical role in the empowerment of their communities, such as through the implementation of BUMDes.

According to Maryunani, BUMDes is a village business institution managed by the community and the village government to strengthen the village economy and build social cohesion in the community. The BUMDes functions as a business institution in order to achieve an outcome, such as a profit.

In order to overcome poverty in villages, it is essential to have the agreement and commitment of all levels of village government and the entire village community, including the BUMDes. The BUMDes play a crucial role in this mission, as they have been established for this purpose. Well-managed and professionally run BUMDes, with an active marketing network and community participation, can effectively alleviate poverty in villages. This enables individuals or groups to become self-sufficient in production and meet their basic needs.

BUMDes can play a crucial role in the implementation of village development initiatives, as village development is carried out through a labor-intensive system that involves community participation and self-management. However, it is important to note that all activities must comply with applicable laws and regulations and adhere to transparent, efficient and effective financial management practices that ensure accountability. BUMDes' mission is to identify village potentials, map village enterprises, build integrated economic centers, market village products, and increase village self-reliance.

It is important to note that there are differences in services between BUMDes and other microfinance institutions in the village regarding the role of BUMDes services. BUMDes services prioritize convenience and operate on kinship and trust principles for clients. This contrasts with other microfinance institutions, which strictly adhere to lending procedures without exception. BUMDes services were found to be professional and flexible, the procedures used were brief and did not burden the clients, the loan requirements were simple, and the interest rates were relatively low.

Especially in asset management, which increases accountability and contributes to village income, BUMDes play an important role in ensuring accountability. In addition, BUMDes

can facilitate other government assistance programs and manage funds allocated to the village, indirectly contributing to the maintenance of village assets.

In social policy, social protection plays a crucial role in reducing poverty and addressing multidimensional deprivation. This is stated by Suhartono (2006). Social protection is conceptually defined to mean "public policies designed to reduce poverty, deprivation and inequalities". In operational terms, it refers to a set of government initiatives that are aimed at providing four main systems: social assistance, social services, social insurance, and labor market policies.

Social protection can contribute to the alleviation of poverty and the prevention of social and economic vulnerabilities from pushing individuals below the poverty line, and is particularly beneficial for those who are classified as "very poor". Through livelihood programmes, it can increase the capabilities and real incomes of poor and vulnerable groups.

#### 4. Conclusion

The use of BUMDes to support poverty alleviation is a result of the existence of Village Business Institutions, which serve as drivers and motivators for the community to participate in supporting the growth of the village economy. A BUMDes is a business entity. Its purpose is to improve the welfare and standard of living of the community. In addition, BUMDes play a significant role in asset management strategy, increasing accountability, and contributing to village income. They can also accommodate other government assistance programs. In order to alleviate poverty and reduce multidimensional deprivation, social protection is an important element. The social protection program is currently operational. However, its management supervision needs to be improved. The government's goal is to provide support to the community.

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