



Governability, New Development, and Rural Economy at Sanankerto Village, Indonesia

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Recieved: October 11 2020; Revised: February 18 2021; Accepted: February 28 2021

Abstract: Study on village governance and economic development increases in many countries. This article explores village economic development in contemporary Indonesia, which includes one of the national development's priority agendas. Despite several challenges in terms of governance, some villages have proved successful in driving economic development. This article mainly discusses rural governability in enhancing successful economic development in Sanankerto Village, Malang Regency. The research uses a qualitative method with an approach of governability to understand the village's success. The findings show that the more successful a village is, the greater the village's challenge. The successful governance in economic development is significantly relied on the village governance's capability, which consists of environmental and social system supports, a sound governance system, and a participatory, open, and transparent governing relationship between stakeholders. Moreover, the village's new law has significantly given broad authority and budget allocation for economic village development. This article significantly contributes to promoting villages' economic development where adequate governance capacity is an essential factor for achieving it.

Keywords: governability; village economy; BUM Desa; development; welfare.

Introduction

In recent years, economic and social development in rural areas has of the Indonesian become government's focuses (Arifin et al., 2020). Unlike the previous period, the village is currently experiencing massive economic development and change after Law no. 6/2014 on Village. Through this new regulation, villages are encouraged to be more independent in governance (Antlöv, Wetterberg, & Dharmawan, 2016; Susan & Budirahayu, 2018). The purpose is to improve rural communities' welfare and economic autonomy (Eko, 2014; Fauzi, 2019; IRE dan Yayasan TIFA, 2019; Ramadana, 2013). It is believed that village businesses' presence will fulfill the hope. The businesses expected will manage and develop the village's potential, create employment opportunities, and increase the village community's business and income. In Indonesia, these local businesses are driven by Village-Owned Enterprises (BUM Desa), which in some cases, have succeeded in advancing the village economy.



This article is motivated by the fact that Village-Owned Enterprises (BUM Desa) plays a significant role in the village economy's development and autonomy. Some studies have concluded governance factors are essential for rural (Nurlinah development economic Haryanto, 2020). Good governance impacts the progress of a village. In terms of governance, the principles such as transparency, leadership, resources, and collaboration factors play a role in developing the village economy.

Likewise, geographic location and availability of natural resources also determine the success of village economic development. However, some studies highlight the need for a deeper tracing of rural governance capacity to (Bebbington, explain success 1999; Bebbington, Dharmawan, Fahmi, Guggenheim, 2006). There is no empirical study that explicitly explains why a village can continue to develop, especially in terms of economic development. This article is expected to fill this gap where studies on village governance rarely discuss governability aspects.

In many countries, the presence of village businesses has undergone various levels of development. Several studies have concluded that rural local businesses developed countries are more developed than urban businesses (Phillipson et al., 2019). However, other studies also mention a decline in villages in developed countries (Li, Westlund, & Liu, 2019). Meanwhile. developing in countries, many studies explain that local businesses in rural areas in China are developing well, even making China's economic development extraordinary (Putterman, 1997; Weitzman & Xu, 1994).

Not all villages in developing countries can develop like villages in China. In developing countries such as Indonesia, the trend of village business development shows an increase. Thus, in both developed and developing countries, a Village Business's existence is the driving force for achieving village goals (Zeuli & Radel, 2005).

However, some studies conclude that villages face many economic development challenges, such leadership, management, membership, low human resources, and ownership (Arifin et al., 2020, p. 384). Other challenges are corruption (Ulfah, Afala, and Rahman 2020), lack of human resources. and lack of innovation 2017). Amid (Sukasmanto, these challenges, the central government encourages villages to be independent through some policies and financial support.

Our article focuses on the latest economic governance phenomena in the of new village development. Specifically, the research was conducted in Sanankerto Village, Malang Regency. This village is one of the best practices in terms of rural economic development. In the Jokowi era, village development became one of the priorities. It can be seen in Nawacita, which contains building Indonesia from the periphery strengthening regions and villages within unitary state framework. commitment was followed by several policies to strengthen the village, such as granting some powers and a large allocation of village funds. In this regard, the establishment of BUM Desa is the primary driver of village economic development. Several BUM Desa has succeeded in improving the village economy, and some have not shown progress. Moreover, the existence of BUM Desa is believed to be able to encourage economic development and national welfare.

This article discusses rural governability in terms of economic development in several parts. The first part describes an overview of rural economic development in Indonesia. The aim is to understand trends in the governance and development of rural economies in Indonesia. The second part discusses the research methods used in this article. In the next section, this article describes the findings and discussion the economic governance regarding capacity of Sanankerto village. This section begins with an overview of the BUM Desa Kerto Raharjo, followed by explaining the village economy's governance.

After that, the explanation begins by identifying the challenges of village governance and development. It then describes the village economic governance system and governing interaction built by the village government to respond to various challenges and strengthen the rural governance system. The following section is a discussion of the findings. Finally, this article summarizes all of the findings and explanations in a concluding section.

Village Governance and Economic Development

The topics of governance and development have recently appeared together in explaining the economic progress of a village. Some studies have concluded that governance determines rural economic development (Arifin et al.,

2020; Bebbington et al., 2006; Murdoch, 2000). In Indonesia, village economic governance can be explained into three phases: the Old Order regime, New Order regime, and Reform Era. There is a similar conclusion regarding village governance during the Old Order and New Order periods: the village's position under strong state control, where the village was the lowest administrative unit in the Indonesian government structure.

During the New Order era, the central government uniformed village governance through Law no. 5/1979 concerning the Village Government (Kato, 1989). It explains central control over the village, which was carried out by deploying the military at the village level (Antlöv, 1996; Antlöv & Yuwono, 2002; Chambers, 1987). At this time, rural development depended on the central government's policies (Bebbington et al., 2006, p. 1961). In terms of rural economic development, the New Order regime was modernized through the Repelita program. These programs tended to be forced, which sometimes led to village farmers' conflicts (Hansen, 1971).

In this case, the central government's development program was not intended to solve rural economic problems such as poverty but rather to fulfil its economic development interests. This condition was exacerbated by weak supervision from the central government at the local level (Bebbington et al., 2006; Evers, 2000; Hansen, 1971). On the other hand, village elites were scrambling to increase village economic development following central demands; however, this was intended to recruit the village elite as loyal clients of the New Order regime (Antlöv, 2003).

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After the collapse of the New Order regime. state and village relations changed. The presence of Law no. 22/1999 and No. 32/2004 concerning the regional government had revised the relation. Although the village's position was still subordinated to the regional government, the village slowly began experiencing development. In 2014, the Law no. 6/2014 concerning the village puts the village's position increasingly strong autonomous (Eko, 2014; Rozaki & Yulianto, 2015). In the village law, villages have more significant powers and large funds allocations of to manage development issues, community organizing empowerment, public administration and fostering village communities. Several studies have concluded that the new rules provide optimism for village development in the future (Antlöv et al., 2016; Eko, 2014).

By the new rule, the village is no longer the object of development from the central government but has been transformed subject into the development. The village develops into the initiator, initiator, and main executor of the programs that the village community themselves has initiated. In this way, the village became more autonomous in managing village affairs. According to Erani Yustika, this law's presence is a form of the village proclamation, which places the village into the new site of local democracy (Yustika, 2019). In this era, village economic governance is carried out by establishing a Village Owned Enterprise as the village economy's main driver. BUM Desa as a village business entity has been initiated since the existence of Law no. 22/1999 regarding regional government, and the last is confirmed by the Regulation

of the Minister of Home Affairs No. 39/2010 concerning Village-Owned Enterprises. The aim is to drive the village economy and improve rural communities' welfare (Kadesa, 2016).

In the five years of its development, some villages have been nervous about the new village regulation's changes and demands. The village government's inadequate capability and community participation is a series of village governance problems (Aziz, 2016). Corruption is still a big challenge in village management (Herin, 2019; Olken, 2009; Susan & Budirahayu, 2018; Yunus, Pangarso, & Haribowo, 2019). Corruption has weakened village performance and harmed the village community, hindered achieving village independence and welfare. As a result, the interests of the village community are neglected.

On the other hand, the considerable village authority and the broad allocation of funds have also put the village into a new arena for political battle. Some elites attempted to hijack political processes in the village (Aspinall & As'ad, 2015; Habibi, 2018; Lucas, 2016; Mai, 1989). The village is only a battle arena for the state's political economy and investors massively extract village economic resources (Mariana, 2018, pp. 2-5). On the other hand, village changes have also encouraged competitiveness in politics and promising development for village democracy (Yuningsih & Subekti, 2016).

Village development is not only about political development but also economic development. Both of these must run in balance to achieve village independence. However, not all villages can successfully manage their BUM Desa to improve the economy of their

communities. So far, some challenges for Bum Desa (Sukasmanto, 2017, pp. 8-9) are The followed: (1) BUM development plan has not been integrated with village medium-term development plan, (2) There is a lack of commitment to the village government, (3) there is a conflict of interest between village stakeholders such as the village government, village consultative bodies, and BUM Desa managers, (4) The village authority in managing assets is still unclear, (5) BUM Desa stands without a preliminary business plan, (6) Business managers have a low capacity, problems with village legal entities, and (7) BUM Desa are still profit-oriented and have not addressed village communities' welfare. These problems are related to the lack of creativity and innovation from the village community and the village's capacity and capacity in managing the village economy, especially regarding BUM Desa governance. However, not all villages fail in their economic development.

This article explores how the village successfully built its economy in the new era of village development. Specifically, this article intends to state that although there are many village governance studies, it is still rare to villages' observe capacity comprehensive village governance. This study describes the village governance capacity in village economic governance, namely the village economy's governance located in Sanankerto Village, Malang Regency. This village is one of the villages with the best BUM Desa category in East Java since 2017-2019.

Methods

This article uses a qualitative method with case studies. According to Robert K Yin, case studies are used when; (1) the research questions are how and why, (2) the researcher has no control over behavioral events, and (3) the research focus is related to contemporary events (Yin, 2014, pp. 54-55). Case studies specifically investigate a specific event, a setting, or a single event to explain a phenomenon (Creswell & Creswell, 2014). In other words, a case study is a research method that describes а case understand reality or event. We use case studies to explain village governance's capability to drive village economic development.

This located research is Sanankerto Village, Malang Regency, East Java. In the data collection process, we observation, interviews. used documents. In our observations, we made observations of governance direct activities carried out by the village government and the village community. We extracted information from some key informants such as the village head and its officials, community leaders, and village communities in interviews. We collected some official documents such as APBDes, village regulations, annual reports, BUM Desa progress reports, and other data regarding village economic governance information through documents.

In its analysis, this study uses a governability concept approach in exploring the capacity of villages in managing the village economy. The initial study of governability was found in Crozier, Huntington, and Watanuki, who explained governance problems as the cause of the democratic crisis and weak governance in several countries (Crozier,

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Huntington, & Watanuki, 1975). A country needs to restore government authority so that it can carry out management governability. Governability refers to the performance or the management system and its capabilities (Chuenpagdee & Jentoft, 2013). In another definition, governability refers to all capacities for managing all entities and systems (Ernst & Haar, 2019; Jentoft, 2007; Kooiman, 2008, 2010; Kooiman & Bavinck, 2013; Kooiman, Bavinck, Chuenpagdee, Mahon, & Pullin, 2008).

Our article uses this last definition to explain village governance's ability in terms of village economic development. The first stage in this analysis is to explain governing system, namely government's governance system, managing the village economy. It includes village regulations, policies, and efforts made by the village government in managing the village economy. The second stage is to analyze the system to be governed, namely the forms of ideas and community participation to build the village economy, including its response to various policies. The final stage is to analyze governing interaction, namely the relationship built or formed between the governing system and the governed (system to be governed) in the interaction pattern to improve village economic governance. The last stage is presentation of the data.

Result and Discussion The Development of Village-Owned **Enterprise**

Since the enactment of Law no. 6/2014 concerning Villages, developing the village economy is left to Village Owned Enterprises (BUM Desa). The purpose of establishing a BUM Desa is to improve the village economy and public services, manage village potential, create markets and jobs, and increase rural communities' business and income (Arifin et al., 2020, p. 384). In Sanankerto Village, BUM Desa Kerto Raharjo has succeeded in driving the village economy. This BUM Desa has been established since 2014. Nature tourism, such as Boon Pring ecotourism, is a leading sector of the BUM Desa business.

This tour was formerly known as Taman Wisata Andeman and is a bamboo forest and lake located on a land area of 36.8 hectares. In this area, there are many business units built. Thanks to tourism progress, Sanankerto Village has won various awards and has encouraged village economic development. Based on the Developing Village Index (IDM), Sanankerto Village has become developed village with a developing status the previous year. Through BUM Desa, Sanankerto Village manages several business units. The following are types of BUM Desa Kerto Raharjo businesses.

From the table below, the BUM Desa Kerto Raharjo business unit has experienced an increase from 2017. Some of these business units result from collaboration with several institutions such as BNI Bank, higher educations, and local and central government agencies. Through Ministry of Villages, Development of Disadvantaged Regions, and Transmigration, the Central Government also provides additional incentives to encourage village development. As a result, Sanankerto Village continues to develop. Based on data on the number of visitors, there is an increase in the number of visits yearly. The following table shows



the number of visits to Sanankerto Village from 2017-20.

Table 1.

Development of BUM Business Unit Desa Kerto Rahajo

| Business Unit | | | |
|---------------|---------------|------------------------------------|--|
| 2017 | 2018 | 2019 | |
| - Ecotourism | - Ecotourism | - Ecotourism | |
| - Agent 46 | - Agent 46 | - Agent 46 | |
| - PAM | - PAM | - PAM | |
| - UMKM (Small | - UMKM (Small | - UMKM | |
| and Medium | and Medium | - Bank Sampah | |
| Enterprises) | Enterprises) | vent Organizer | |

Source. Sanankerto Village Document

From the development of the business, Sanankerto village Village received a turnover of Rp. 994,349,500 (million) in 2017, increased to Rp. 2,878,577,500 (billion) in 2018, and Rp. 4,568,198,500 (billion) in 2019. Besides, this local business has contributed to the income of Village Original Income (PADes) of Rp. 80,581,180, Rp. 437,113,493, and Rp. 600,000,000, from 2017-2019 respectively. The village business through BUM Desa has had a major impact on village communities' development and welfare.

Through many of these business units, BUM Desa has succeeded in providing new jobs for rural communities, especially for the village's unemployed. All BUM Desa employees and management come from the village community. There are currently 28 permanent employees, 47 non-permanent employees, and 77 local traders at tourist sites. The village provides full scholarships to underprivileged children at the junior high school level through village business income. The village business also opens

opportunities for the growth of shops and stalls along the road to tourism. In the tourist area, there are currently 58 stalls that empower residents. The community is also allowed to open independent businesses and provide homestays for visitors. Currently, there are 70 homestays from residents' homes. With success in terms of governance and development of BUM Desa, Sanankerto Village has won various awards, including the award for the Main Climate Village Program in 2018 from the Ministry of Environment and Forestry, Ranking of Hope III in the Best Implementer of the 10 Main PKK Programs in East Java in 2016, the award as the best tourism-driven BUM Desa from the Regional Government of Malang Regency in 2018, and the 2019 Indonesia Sustainable Tourism Awards (ISTA) from the Ministry of Tourism in economical use for local communities by getting a Green Bronze in 2019.

Sanankerto Village's success in increasing economic development is mostly determined by village governance's capacity to overcome

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various obstacles in the village. The more developed a village is, the greater the governance challenges it faces, especially challenges that arise from within the village community who feel they have not benefited from its progress. In general, Sanankerto Village's development in these four years is evidence of a sound village governance system. Specifically, the village governance system is described in detail in the following sub-chapters.

Explaining the Village Governance in Local Economy

1. Get Out of the Stagnation Trap

a. Poverty and Isolation

The village of Sanankerto Village's current economic development results from the collaboration of various stakeholders to advance the village economy, both from community elements and village institutions. Geographically, this village was isolated in the past and far from areas with good access. The village area is surrounded by rivers, making access from the center of public roads and busy areas quite tricky. However, this village is blessed with fertile land and a large and lush forest area, and a lake that the local village community usually uses to find animal food and recreation. Village activities are only directed at the traditional agricultural sector, the leading sector for rural community life. Until now, the agricultural sector is still the primary source of income for most Sanankerto Village residents. During the New Order era until the beginning of the Reformation, Sanankerto Village was still included in one of the low village categories in East Java. This village is a subscription to the Inpres Village Disadvantaged (IDT) Presidential program, a continuous

Instruction No. 5/1993 concerning Increasing Poverty Reduction.

At that time, infrastructure development was still minimal. The village government could not carry out the construction, renovation, and repair of damaged village facilities due to limited funds. The funds obtained by the village are only used enough to support the implementation of village governance and some limited programs. As a result, although there is a lot of village potential, these potentials cannot be managed and appropriately developed by the village government. In other words, the state does not pay serious attention to the condition of rural communities. At that time, state policies did not favor an orientation towards improving the welfare of rural communities. The village was only the object of the grand development plans initiated by the state. This condition lasted quite a long time. According to the Village Head of Sanankerto, Pak Subur said that;

"Our village used to be a subscription to the Presidential Instruction program from the central government because this village used to be very isolated and poor. Minimal funds make it difficult for villages to carry out development. So it is difficult for us to make programs or innovations because the village funds are not enough. The funds are only sufficient to finance village operations."

Portrait of Sanankerto is one of many villages that have the same condition. The villages' dependence on supra-village institutions had resulted in a loss of village independence and easy intervention by various interests. In terms of politics, this dependence was used by the supra-village government to control,

control, and suppress the village. In national and local political moments, villages were often the elites' target to intervene and promise various welfare programs. The situation is still ongoing today, even though the village has changed in the direction of Village Law no. 6/2014.

Several years ago, constructing bridges and roads, access to Sanankerto Village had begun to be well connected with the main roads. Besides, the rural agricultural sector was starting to connect with the market. In other words, infrastructure development plays an essential role in the availability of access to the village. Slowly, Sanankerto Village began to experience changes and developments. When the Village Law No. 6/2014 was published, with immense authority and extensive funding support, the Sanankerto Village government began to take action about various ways to build and develop its various potentials.

b. Pessimism

The initial challenge faced by the village government in building local businesses was resistance from some sections of the community. The rejection was based on consideration over the fear of environmental damage, used as a water source, a place to find wood and grass for livestock. The area that is now a tourist destination for Boon Pring overgrown area with lush bamboo and dense forests. This area stores the lake's water reserves so that it avoids the loss of springs. According to some villagers, the bamboo roots store water when the dry season arrives. On the other hand, some people often refer to this area as a sacred area with several mythical stories. Therefore, it is feared that the

development of local businesses in the region will be an environment.

Their refusal was also based on concerns over the use of village funds allocated to support tourism development. The community often questions the village community's benefits if the village business plan is implemented. If the village plan fails, the village funds would be wasted. Therefore, a big challenge for the village government to develop this tourism is trust. The village budget allocated for the development of Boon Pring tourism is demanded to be well managed and, most importantly, to produce tangible results for the village community. According to Jamaluddin, explaining that;

"Initially, some people rejected the village government's plan to build Boon Pring mas tourism. They did not trust the village government, let alone many funds that were used for development. Convincing people need effort so they can support our plan."

Broadly speaking, village officials' lack of capacity and experience in village business governance has made village communities pessimistic about the village government's business plans. Besides, environmental reasons are essential for any development carried out by the village government because environmental the damage will village impact community's social conditions.

c. Lack of Village Resources and Experience

When Law no. 6/2014 concerning Villages was enacted, the village government does not yet have a projection of what to do with the considerable village



authority and funds given to the village. The lack of human resources is one of the main factors that challenge village development. The majority of village officials initially experienced confusion about using the enormous powers given to the village. Village officials did not have sufficient experience, as did community, who were not active enough to provide development ideas. The past development model is still difficult to separate from the village government's character so that the community is not accustomed to the village's great authority in early 2015. If the community and apparatus were passive in the past, village officials and communities must be proactive in various village developments through the new village regulations.

For this reason, one of the biggest challenges in local business development is the availability of adequate human resources and sufficient experience from administrators. Most village village officials have a high school education; only two people have education up to a bachelor's degree (S1). In general, out of 2,562 people, most village people only have education up to SMP and SMA; only 3 of them have reached the S2 level.

This lack of human resources has resulted in a lack of stock of ideas for village development. Likewise, in terms of experience, most village officials have no experience in building local businesses. The new village regulation requires creativity and innovation from the village. Therefore, the existence of some demands and obligations that the village government must carry out through the latest law has encouraged the village government make various to improvements, especially in improving the

quality of village officials. When BUM Desa was formed, several businesses developed by BUM Desa were not optimally supported by valuable human resources. The lack of human resources was felt at the beginning of the formation of BUM Desa and when the businesses of BUM Des has developed rapidly.

d. Conflict of Interest

BUM Desa Sanankerto is increasingly advanced, shows a success story and a conflict of interest in the village community. Before the issuance of the latest Village Law, conflicts of interest within the community were still limited to society's social affairs. The village's development economic success broadened the arena for conflicts of interest to occur in the economic and political realm. Several community groups began to undermine the power of the village government. In an interview, Pak Subur, as the Head of Sanankerto Village, stated that:

"One of the biggest challenges in managing this BUM Desa is to unite perceptions "Between stakeholders in the community. Some people began to have bad intentions. Some began to be unhappy with our leadership. This village has obtained much money from the management of BUM Desa, so there are motivations to scramble to feel the village's progress.

This conflict of interest arose in some demands from the community, both individually and as a group. However, so far, the conflict of interest is still limited to criticism and demands, not yet leading to confrontation or violence. In short, the current village development has become a village as an attractive space for

competition for village elites to come to power. Being an essential part of the village provides many benefits. At present, village administrators get salary income, but village progress impacts additional income beyond salary.

2. Environmental and Social Cultural Support

The development of local businesses in Sanankerto Village is supported by the availability of the village's abundant potential. The village's geographical location, surrounded by rivers and mountains, makes the land in this village fertile. Agriculture is the leading sector of life for the people of Sanankerto Village. Based on the Village Profile data, most of the community's occupation is as farmers as 406 people and farm laborers with 323 people, the others are carpenters and stonecutters, while civil servants are only 26 people. The agricultural area in this village covers 68 hectares.

Apart from agriculture, this village has a large bamboo garden. This bamboo forest covers an area of 36.8 hectares, which belongs to the village. So far, the village government has not utilized the forest to its full potential due to limited funds and human resources. Even in it, there are 70 types of bamboo. This area is unique because not many other areas have bamboo gardens of various varieties. Besides, this village has a large lake. Village people usually use this lake for bathing and recreation. This lake is never dry; even when the dry season arrives, this lake is still filled with water. The villagers believe that the bamboo that lives on the lake's edge has become a buffer and water storage for the lake. Therefore, through the government, the village community protects the forest and bamboo gardens around the river. The following table shows the village potential that is owned by the Village of Sanankerto.

Table 2. Sanankerto Village Potential

| Nº | LOCATION / PLACE / TOURIST AREA | SPACIOUS | UTILIZATION RATE |
|----|---|----------|---------------------|
| 1. | Lakes (Water Tourism, Forest Tours, Archaeological Sites, etc.) | 1.30 ha | Active |
| 2. | Bamboo Forest | 36.08 ha | Active |
| 3. | Historical Sites and Museums | 0.01 ha | Active |

Source: Sanankerto Village Profile, 2019

So far, through BUM Desa, the village potentials are managed and developed by the village government. The goal is to increase the village's original income and improve the village community's welfare. Ecotourism Boon Pring is the leading tourism promoted and developed by the village government.

Sanankerto Village is also developing bamboo tourism with 100 varieties. In the next few years, Sanankerto village is projected to become the only bamboo tourism center in Indonesia. It will be an exciting new tour in the future.

Apart from environmental support, the community's social conditions are also



an essential factor for village development. Village communities are known to have high social life and family ties. In the village of Sanankerto, this social spirit can be seen in the habits of cooperation, which are applied in every village community's social activity. In terms of village economic development, two aspects contribute to strengthening village economic development. First, it is a substantial social capital. It can be seen from the habit of working together with the community in various social activities. Social capital has an impact on the intense level of trust that is built between the community. From the village data, there are rarely any conflicts or disputes within the village community. Second, there is an entrepreneurial spirit from the community to do business. In general, the villagers have a desire to move forward and work. However, this is constrained by various factors such as funding and the market for their local business development.

3. Strengthening village management system

a. Village Management and Policy

Currently, Sanankerto Village is one of the leading villages in East Java in terms of tourism management. The village of Sanankerto obtained some other achievements. The village's success cannot be separated from the good governance of the village government. The village's local capacity in management is one of the main factors for Sanankerto Village's success. The principle is good village management, having an impact on the developing village. Thus, several policies and good village governance are needed to build a working system that supports village development.

This success was supported by several policies from the Sanankerto Village Government to support the village economic development process. This study's policies are village regulations, decrees, and other unwritten policy directions related to village management. In general, in Sanankerto Village, this policy was crucial for the following reasons: First, to provide legitimacy for various development activities in the village to have confidence in the village government **BUM** and Desa administrators. Second, policies are one of the ways to avoid conflicts of interest and, at the same time, carry out the right arrangement. In Sanankerto Village, the conflict of interest is relatively high in line with the Village and BUM development and progress. Third, the policy is intended to protect village assets create a sustainable environment. Several regulations that efforts develop support to village economic enterprises through BUM Desa are as follows:

- 1. Village Regulation No. 6/2015 concerning Bambu's Sentra management (Boon Pring) and the Sadarwista group (Pokdarwis) in Sanankerto Village.
- 2. Village Head Decree concerning the formation of Gapoktan management issued in 2014.
- 3. Decree to Sanankerto Village No. 011/2015 concerning the Composition of the Village BUM Desa Management of Sanankerto.
- 4. Village Regulation concerning Environmental Conservation issued in 2019.



A number of these policies are intended to strengthen village governance. Village Regulation on Environmental Conservation protects forests bamboo, which are significant assets for villages, especially those in the Boon Pring ecotourism area. The rule aims to protect water sources and ensure water reserves and the sustainability of tourism and the environment for rural communities in the future, likewise with some other policies related to the management structure of the BUM Desa that accommodates several parties who initially made some demands against the village government. Besides, the village government policy is about establishing some businesses representing the pillars of Sanankerto Village. It is intended to accommodate the social and economic jealousies of some residents who do not benefit from village development.

b. Management Strategy in village Governance

One of the biggest challenges in managing BUM Desa is the conflict of interest between the village elite and the village stakeholders. So far, the existence of BUM Desa has succeeded in overcoming the problem of poverty and has opened jobs for rural communities. However, as the level of success of BUM Desa continues formidable advance. the most to challenges are the existence of some actors' interests who want to get huge profits both personally and in groups from the success of BUM Desa. BUM Desa has been running and continues to develop in terms of potential and business, but in terms of actors' interests, it demands the village government carry out some functional governance patterns so that

conflicts of interest do not impact the poor management of BUM Desa.

At least there are several groups of actors who have great potential in disrupting the development of BUM Desa, namely Community Groups, namely community groups consisting of Rukun Tetangga (RT), which are representatives of community groups in the smallest areas at the village level, Village Consultative Body (BPD), and Village Officials. These three groups are the main stakeholders at the village level and have great potential in influencing the management of BUM Desa. To manage these various interests, the village government builds a management scheme in the management of BUM Desa, namely by including all stakeholder elements in the management of BUM Desa so that tall parties in the village can felt the results obtained by BUM Desa. In this way, conflicts of interest can be temporarily suppressed. The following is the BUM Desa management structure based on article 10 of the Village Regulation (Peraturan Desa) concerning the Management of BUM Desa in Sanankerto Village.

On closer inspection, the BUM Desa organizational structure is slightly different from the management structure in general, as stated in the regulation, namely the Advisory Board's existence. This council consists of village officials who are tasked with providing advice to the village head as the BUM Desa Commissioner, while the supervisory board consists of members of the Village Consultative Body (BPD) who are in charge of overseeing the governance of BUM Desa. This pattern of building structures is a strategy to minimize conflict in the village. As stated by the



Managing Director of BUM Desa Sanankerto, Pak Samsul Arifin, said that;

"The management of the BUMDes Sanankerto is somewhat different from other BUMDes. In **BUMDes** our management, there is an additional management structure, namely the Board of Commissioners' Advisory Board and the Board of Commissioners' Supervisory Board, to accommodate and not bother (disturb) the management of BUMDes. So they also enjoyed the results of BUMDes; the community is through the RT, so every RT we give 5% of the SHU every year. So all enjoy it".

As we found in the field, all RT get results from BUM Desa every year. In 2019, each RT out of 23 RTs received 3 million rupiahs from BUM Desa. The money is used for the benefit of the RT itself. Each RT has a business place (lapak) in *Boon Pring* to open a business according to each RT's wishes. The village government allocates social assistance and educational assistance from BUM Desa income for poor rural communities for the community. The following is the amount of assistance intended for the community. "

Table 3. Social and Educational Assistance

| NO | BUMDes | Amount | | |
|----|-------------------------------|--------|------------|------------|
| | Assistance | 2017 | 2018 | 2019 |
| 1. | Education Fund Expenditure | - | 11.495.295 | 10.050.000 |
| 2. | Social Fund Expenditure | - | 75.065.295 | 26.395.000 |

Source: Sanankerto Village Document

In this way, the three interest actors in the village can be adequately facilitated. So far, the involvement of these actors in the governance of BUM Desa has had a positive impact on the development of BUM Desa. From the governance of BUM Desa, there are several results that the

village government can be proud of. Another key to success is the expansion of the village government network to support village economic development. Several institutions indirectly cooperate with BUM Desa through the village government. The following are as follows;

Table 4.
Sanankerto Village Cooperation Network

| No | Institutions | Role |
|----|---|------------------------------|
| 1. | Indonesian Institute of Sciences (LIPI) | Development of Bamboo |
| | | varieties to build Arboretum |
| | | (Bamboo Education Tourism) |



| 2. | Higher Education (UMM, Polinema, Udayana) | Forms of Training and Mentoring |
|----|---|--|
| 3. | BNI and BRI | CSR programs in the form of development infrastructure such as |
| | | Hydro Power Plant (PLTMH) and assistance in the form of ease in Business Credit |
| 4. | Media (Radar Malang) | Publication and cooperation in PLTMH |
| 5. | Provincial Government of East Java and Ministry of Village | Training, Coaching, and support such as PIID-PEL activities and BUMDes Jambodes Se-Indonesia |
| 6. | ASIDEWI (Tourist Village Association) | Tourism Village Development Training and Cooperation |

Several forms of activities for the development of BUM Desa include conducting training and comparative studies. The training was intended to improve community skills in developing several BUM Desa businesses, while this comparative study was conducted so that village officials could gain experience from other villages developed in BUM Desa management. For BUM Desa administrators, there are training such as strengthening financial administration, which is intended so that BUM Desa has a reporting system, bamboo good development training, business training for people who open businesses, and some other training.

Besides, there is support from the government central for village development. the From central government's PIID-PEL (incubation innovation program), Sanankerto Village received the assistance of 450 million in 2018 to support village infrastructure and 1.5 billion in 2019 from the Ministry of Villages, Development of Disadvantaged

Regions, and Transmigration. The program is a reward from the central government for having succeeded in developing the village through the presence of BUM Desa. In East Java, only three villages received assistance programs like Sukodono Village, Pujon Kidul Village, and Sanankerto Village. Currently, Sanankerto Village has become a pilot project by the Ministry of Village to become a fostered village (desa binaan).

4. Preserving the Governing Interaction

The governance system runs well if the relationships between stakeholders in the village can work together. responding to various challenges, the Sanankerto Village government opened a space for dialogue for various problems that occur in the village. At least three ways the village government has managed conflict respond to several demands related to development in the village. The first is community participation. Village communities are



encouraged to participate in various public affairs in the village. It can be seen from village meetings and community involvement in village meetings. Likewise, in development programs carried out in the village, the community is encouraged to take good care of the program.

Based on the village's profile document, community participation in village development and village meetings is around 75-80%, which is involved in the village's activities. As mandated by the Village Law, community participation in the policy process made in the village is an essential prerequisite for the existence of a policy. The second is the inclusiveness of the village government in receiving input various parties. The government strives to respond to both the problems and demands of the village community. It was done by opening wide discussion forums and approaching various parties with different village government opinions. The third is about transparency. The enormous transfer of village funds demands that the village government be transparent so that the community is not suspicious of the village government. It was done by announcing the village financial plan through village forums and posters. According to Pak Subur, the Head of Sanankerto Village said that:

"Besides requiring courage, managing this tourism must also be honest and transparent. That is the key so that people can trust us as management. We must present a program that is academically clear and convincing."

The village government seeks to build public trust in its performance. With this belief, the village business plan can work well. At least the village stakeholders can be mapped into two, namely the village government and the community. These two actors are the primary keys to village development. In Sanankerto Village, the relationship between the two actors develops in a reasonably controlled dynamic.

Good relationships are built when the community's demands and aspirations can be adequately accommodated in various village government policies. Likewise, the village government must respond to various demands aspirations through policies and good management patterns in various policy implementations. The interaction between village government and community is not SO complicated (complexity), and there is no vulnerable position (vulnerability) where management carries a significant risk for the community and village government. Therefore, during a village community various goals and interests (diversity), the village government is relatively easy to overcome.

This article has explored the governance capacity of an institution to enhance economic development. findings have shown a new direction in the village governance system where the village has independence in developing village businesses. Besides, the article also demonstrates that there are many aspects driving village economic development. In Sanankerto, the village's capacity to manage the economy comes from supporting the environment and social system, a sound governance system, a participatory, open, and transparent management relations between stakeholders. It is also supported by institutional reform in which the village obtains the broad authority and village fund allocation through Law of No.6/2014 on Village. The Sanankerto Village government's success in developing economic development proves its capacity to respond to changes in the old governance model towards more modern and democratic village governance. With this capability, villages can overcome some problems such as poverty, pessimism, lack of resources, experience, and conflicts of interest within the village community. It is done by issuing several policies developing and village management strategies to respond to village communities' various challenges and socio-economic demands.

In contrast, conflicts of interest in villages are resolved by building participatory, open, and transparent patterns of interaction with various village stakeholders. It impacts the village community's trust towards the village government, which implements various village businesses. These findings also prove that the village can fulfill the demands mandated by Law no. 6/2014 concerning Villages to increase village communities' welfare.

Besides, we found that the more developed the village was, the greater its challenges. If the village was not very attractive to many people in the past, nowadays, the village is a tremendous attraction, so that it becomes an arena for contestation by many parties. In this context, the politics of interest has always been an inherent part of the village development challenge. In terms of governance, our findings are in line with some other studies that conclude that villages' ability to build and expand local

businesses and support social capital are critical factors for villages' success in economic management (Li et al., 2019). In this case, social capital is one source for building local village capacity (Bebbington et al., 2006), and the need to understand the dynamics of horizontal governance and social capital in village economic development (Chapple & Montero, 2016, p. 144). Likewise, these findings also are in line with studies that conclude that village success is determined by the village's ability to respond to demands or requests outside the village (Phillipson et al., 2019). In other words, the change is a challenge for villages in building governance systems. On the other hand, this article also indirectly answers some findings from other studies explaining governance capacity's problem to be a significant challenge in village governance (Aziz, 2016; Zakia, 2018), especially in rural economic development Indonesia.

In general, changing from the old governance model to more modern and democratic governance is a significant challenge faced by many villages. In Indonesia, the change in the governance model is marked by Law no. 6/2014 concerning Villages, which gives villages excellent authority and is supported by massive transfers of village funds. The goal is for the village to be independent and prosperous. Indeed, this new regulation calls for reform in the village (Salim, Bulan, Untung, Laksono, & Brock, 2017), and governance aspects are essential to realizing village goals. In Sanankerto, the change in village governance has been responded to well. It can be seen from the village's achievements in economic development. We emphasize that



management capacity is an essential factor in achieving village goals.

In governance study, governing capacity or governability captures a broader governance aspect, and it helps find a government's fundamental problem. Moreover, it provides the mapping of weakness and strength within institution. Finally, in an academic context, this study's results prove that the governance factor is an essential aspect of a village's development. Village capacity determines the successful level of the governance system built by an institution. Thus, these findings can be considered for decision-makers and village reviewers to understand a village's success.

Conclusion

This article has outlined that governance is an essential factor in determining economic development, in which particularly governability as an approach plays a crucial role in understanding the level of the village's success. Based on the analysis results, we conclude that environmental support and social systems, policies and village management systems are essential factors in building and strengthening a village governance economic system. strengthening relationships with various village stakeholders in management is an essential step in minimizing interest conflicts and building trust in village communities. Besides, the Law of No. 6/2014 has opened up broad change for the village to develop. These findings indicate that a good governance system largely determines the success of the village.

In the local governance context, village development shows a positive direction after the Law of No. 6/2014. The granting of considerable authority to the village, followed by a large allocation of village funds, has strengthened the village independently in economic independence. The impact is that the village community is getting more prosperous, and the village is progressing. In short, villages in this new era have succeeded in responding to community demands and the mandate of the constitution and explained that villages have a capacity similar to the state in managing various potentials in the village.

Studies on village governance capacity are rarely studied, especially in the new era of village development. This study's limitation is its comprehensive coverage in capturing village governance's capacity to not present it more fully in every aspect of governance in the village. For this reason, future studies are very wide open to explain this in complementing village studies on governability. For practical purposes, this research's findings can be considered for policy practitioners in advancing the village.

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Acknowledgments

We thanks to Institute of Research and Community Service Brawijaya University (LPPM UB) that has fully funded the research.

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