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Article Title

# The Effectiveness of Village-Owned Enterprise Management in Enhancing Community Economy: A Case Study of Puuroda Village

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#### ABSTRACT

This study aims to analyze the effectiveness of Karya Bakti's management in enhancing the community economy in Puuroda Village. Karya Bakti operates three main programs: Agricultural Land Financing, provision of Agricultural Production Facilities, and Goods Transportation Rental Services. This research employs a descriptive qualitative approach with data collection techniques through participatory observation, in-depth interviews, and documentation studies. Research informants were selected using purposive sampling. Data analysis was performed using Miles and Huberman's interactive model. The results show that Karya Bakti has not been fully effective based on Campbell's five performance indicators: Program Success, Goal Attainment, Program Satisfaction, Input and Output Levels, and Overall Goal Achievement. Program socialization has not been optimal, sales and utilization targets for several programs have not been achieved, and the level of community satisfaction is low. In addition, the management of the VOE is not yet efficient, and the Overall Goal Achievement in improving community welfare has not been significant. Transparency and accountability are also inhibiting factors. It is concluded that Karya Bakti has not been optimal in carrying out its function as a driver of the village economy.

Keywords: Economic Enhancement; Effectiveness; Performance Indicators; Puuroda Village; VOEs.

## **INTRODUCTION**

Grounded in Pancasila and the 1945 Constitution, Indonesia's national development strives to create a just and prosperous society, both materially and spiritually. Within the framework of the independent and sovereign Unitary State of the Republic of Indonesia, economic development is a cornerstone supported by the enhancement of human resource quality (Arafat et al., 2022). These two fundamental aspects must be synergized, integrated, and harmonized with development in other sectors. This comprehensive development strategy is imperative to achieve the nation's goals and objectives.

A logical consequence of this comprehensive development strategy is prioritizing rural development, considering that most of Indonesia's population resides in these areas. Thus, focusing on village development becomes crucial in reducing income inequality, the gap between the rich and the poor, and the disparity between villages and cities. Therefore, strategic measures that empower rural communities and optimize local potential are needed (Ridwansyah et al., 2021).

One strategic step the Indonesian government takes is to pay special attention to village development through the "Developing Indonesia from the Village" policy. This policy is reflected in Law Number 6 of 2014, which grants greater autonomy to village governments in managing their territories and internal affairs. In this context, villages are given greater authority and resources to plan and implement development according to local needs and potential.

Village-owned enterprises (VOEs), designed to drive the village economy, empower local potential, and ultimately alleviate poverty, are a vital instrument in implementing the "Developing Indonesia from the Village" policy. VOEs have become increasingly strategic amidst globalization and fierce economic competition. Through VOEs, villages are expected to develop their economic potential independently and sustainably, thereby improving their communities' living standards (Kadri et al., 2024).

Conceptually, VOEs represent unique economic entities as they perform dual functions: social institutions and commercial entities (Rosyadi et al., 2021). As social institutions, VOEs prioritize social services to meet the basic needs of village communities, such as providing clean water, electricity, and health services. On the other hand, as commercial entities, VOEs seek to generate profits through several business units by utilizing available local resources, both natural and human.

By carrying out these dual functions, VOEs are expected to create a dynamic and inclusive economic ecosystem in rural areas. Establishing VOEs is a concrete step toward managing a village's economic potential professionally, transparently, accountably, and sustainably. Furthermore, VOEs are also intended to minimize the penetration of capitalistic business systems that could potentially erode the noble values of rural community life, such as cooperation and social solidarity.

The regulatory framework for VOEs was further strengthened by the issuance of Ministerial Regulation Number 4 of 2015. This regulation guides village governments in establishing, managing, operating, and dissolving VOEs. With this regulation, it is expected that there will be no more hesitation for village governments to establish and develop VOEs as one of the pillars of the village economy.

This regulatory support is also reinforced in Kolaka Regency, Southeast Sulawesi, as outlined in Kolaka Regent Regulation Number 63 of 2016. This regulation defines VOEs as business entities whose whole or partial capital is owned by the village through direct participation from separated village assets. The main objective is to manage assets, services, and several other businesses to optimally improve the welfare of the village community.

As a concrete example, Puuroda Village in Baula Subdistrict, Kolaka Regency, established a VOE named Karya Bakti on 20 April 2015. This VOE was established based on optimizing village potential and improving community welfare, which was then strengthened by existing regulations, namely Ministerial Regulation Number 4 of 2015. After the establishment of Karya Bakti, the Puuroda Village Government subsequently enacted Puuroda Village Regulation Number 6 of 2016, further strengthening the legality and operational foundation of the VOE. Karya Bakti operates several business units, such as Agricultural Land Financing, provision of Agricultural Production Facilities, and transportation rental services.

Through Karya Bakti, Puuroda Village seeks to revive the spirit of social democracy by increasing community capacity and participation in the sustainable management of the VOE. On the other hand, the village government must also be more innovative and creative in dominating village economic activities through the VOE.

Thus, the VOE is expected to create new jobs, produce goods and services needed by the community, expand market access for local products, and, ultimately, improve the welfare of the Puuroda Village community.

Despite its significant potential, Karya Bakti still faces several constraints. Initial observations indicate challenges related to community participation, management transparency, and competition with similar businesses. These challenges must be addressed so that the VOE can function optimally as a driver of the village economy.

On the other hand, various previous studies have examined the role and contribution of VOEs in village development. Azhari et al. (2023) found that VOEs can positively improve the welfare of rural communities through job creation and local business development. The study highlights the importance of involving the community and village government in managing VOEs to achieve village development goals optimally.

Another relevant study is the one conducted by Lazuardiah et al. (2020), which examines the potential of VOEs to increase original village income. Lazuardiah et al., concludes that VOEs can be an effective instrument for raising village development funds and facilitating the development of local economic potential. These two studies, and similar studies, show the importance of VOEs as a driver of the economy at the village level. However, there is still room for more specific studies, primarily related to the effectiveness of VOE management in specific contexts.

Based on the several problems and challenges Karya Bakti faces in Puuroda Village, this research becomes important. This study aims to analyze the effectiveness of VOE management in improving the community's economy in Puuroda Village. Unlike Azhari et al. (2023) study, which focuses on the general contribution of VOEs, and Lazuardiah et al. (2020) study, which examines the potential of VOEs in increasing original village income, this study analyzes explicitly the effectiveness of Karya Bakti's management in Puuroda Village in improving the community's economy. This study offers a new perspective by examining the effectiveness of VOE management in Puuroda Village, which has unique geographical, social, and economic characteristics, including the business units of Agricultural Land Financing, provision of Agricultural Production Facilities, and transportation rental services.

The results of the study are expected to provide strategic recommendations to the village government, VOE management, and other stakeholders to optimize the role of VOEs in improving community welfare. Specifically, this research can be the basis for formulating more effective policies in managing VOEs in Puuroda Village, primarily related to increasing community participation, management transparency, and strategies for dealing with business competition. The findings of this study can also be replicated in other villages with similar characteristics to encourage progress and economic independence of rural communities. The research findings can also be replicated in other villages with similar characteristics to encourage village communities' advancement and economic independence.

#### **METHOD**

This study employs a qualitative approach with a descriptive design to illustrate and analyze the effectiveness of VOE management in enhancing the community economy in Puuroda Village. The qualitative approach was chosen because this research focuses on an in-depth understanding of social phenomena from the participants' perspectives, where the researcher acts as the key instrument (Neuman, 2003). This research was conducted in Puuroda Village, Baula Subdistrict, Kolaka Regency, Southeast Sulawesi Province. The location was selected because the VOE in Puuroda Village faces challenges related to marketing, management transparency, and community understanding, which are relevant to the research focus.

In order to gather comprehensive data, the researcher used purposive sampling to determine the informants. The informants selected in this study include the Puuroda Village Government, the management of Karya Bakti, and the community members of Puuroda Village, who are considered to have knowledge and experience related to VOE management. The inclusion criteria for informants were based on their involvement and understanding of the operationalization and impact of the VOE on the community's economy. The data collected in this study consists of primary and secondary data (Whitney, 1960). Primary data were obtained directly from the field through participatory observation, in-depth interviews, and documentation. Observations were made directly by observing the VOE's activities and community interactions in Puuroda Village. Meanwhile, semi-structured in-depth interviews were conducted using a pre-designed interview guide, and conversations were recorded to ensure data accuracy. Documentation was carried out by collecting relevant documents, such as village regulations, VOE financial reports, and village profiles. Secondary data were obtained from literature studies, scientific publications, and official VOE management and rural economic development documents.

Data analysis in this study refers to Miles and Huberman (1992) interactive analysis model. The analysis begins with data collection, which is carried out simultaneously with data reduction. The data collected from observations, interviews, and documentation were then reduced by summarizing, sorting essential data, and focusing on data relevant to the research questions. Furthermore, the reduced data were presented as a descriptive narrative to facilitate understanding and interpretation of the data. The final step is conclusion drawing and verification, where the researcher continuously, throughout the research process, searches for patterns, themes, and relationships between data to formulate credible and accountable conclusions. The conclusions drawn are tentative initially and will be continuously verified during the research process. Thus, the findings obtained are reliable and validated conclusions.

# **RESULTS AND DISCUSSION**

#### A. Profile of Programs and Business Activities of Karya Bakti

Karya Bakti of Puuroda Village is a vital instrument in implementing village development policies oriented towards community empowerment and poverty alleviation. Establishing this VOE is in line with the mandate of Law Number 6 of 2014, which provides an opportunity for village governments to manage local economic potential independently and sustainably. As a business entity owned by the village, Karya Bakti plays a strategic role in creating a dynamic and inclusive economic ecosystem, which is expected to improve the welfare of the Puuroda Village community.

In carrying out its functions, Karya Bakti adheres to the principles of good governance, which include transparency, accountability, participation, and sustainability (Lailiyah, 2022). Transparency is realized through open information regarding the VOE's programs, activities, and financial management to the community. Karya Bakti's accountability is implemented through a precise mechanism of accountability, both administratively and financially, to the village government and the community. Community participation is encouraged through active involvement in VOE programs' planning, implementation, and evaluation. Meanwhile, the principle of sustainability serves as the foundation for every decision-making and business management process, considering economic, social, and environmental aspects.

Since its establishment, Karya Bakti has implemented several programs and business activities focused on utilizing local resource potential and fulfilling community needs. The selection of business types was based on analyzing village potential and community aspirations, considering aspects of business feasibility, benefit, and sustainability. To date, Karya Bakti has developed three central business units that are pillars of the village's economic drive: Agricultural Land Financing, provision of Agricultural Production Facilities, and Goods Transportation Rental Services. These three business units, initiated in 2017, are expected to synergize with each other and make an optimal contribution to improving the economy of the Puuroda Village community.

#### 1. Agricultural Land Financing

The Agricultural Land Financing program is a form of intervention by Karya Bakti to support the agricultural sector, which is the primary livelihood of the Puuroda Village community. Through this program, the Village-Owned Enterprise (VOE) provides easy and affordable access to financing for farmers to cultivate their agricultural land. This policy aligns with the principle of empowerment in public administration, where the village government, through the VOE, facilitates and empowers the community to increase their productivity and standard of living (Alviani & Shomedran, 2023). The financing scheme offered in this program is designed by considering the conditions and needs of local farmers. Farmers who own certified agricultural land can apply for loans with a minimum limit of IDR 2,000,000 and a maximum of IDR 5,000,000. The land certificate serves as collateral, demonstrating legal land ownership and minimizing the risk of non-performing loans. The loan repayment period is set for six months, which can be adjusted to the harvest cycle, providing flexibility for farmers in repaying their loans. The interest rate of 5% of the total loan is competitive and does not burden the farmers.

## 2. Agricultural Production Facilities

The Agricultural Production Facilities business unit, managed by Karya Bakti, embodies the public service function of public administration. The VOE, as an extension of the village government, is responsible for providing goods and services needed by the community, including quality and affordable agricultural production facilities. The existence of this business unit is crucial, considering that the agricultural sector is the backbone of the Puuroda Village economy. Through a professionally managed agricultural supply store, Karya Bakti ensures the availability and accessibility of agricultural production facilities for farmers.

In running the Agricultural Production Facilities business unit, Karya Bakti applies the principles of good governance. VOE members assigned to manage the agricultural supply store receive training and assistance to improve their capacity in business management, customer service, and knowledge of agricultural products. In addition, Karya Bakti establishes partnerships with distributors and suppliers of agricultural production facilities to ensure quality and competitive prices. Transparency in managing inventory and finances is also a significant concern in maintaining public trust and the accountability of the VOE.

#### 3. Goods Transportation Rental Services

The Goods Transportation Rental Services business unit managed by Karya Bakti is an example of innovation in public service at the village level. Recognizing the community's need for adequate transportation to transport agricultural produce and other goods, the VOE initiated providing this service with a unique and partnership-based scheme. Instead of significantly investing in procuring a fleet, Karya Bakti collaborated with villagers who own pick-up trucks and are willing to rent them out through the VOE. This approach reflects the principle of collaborative governance, where the village government, the VOE, and the community work together to achieve common goals (Molla et al., 2021). The business model applied in this business unit prioritizes fairness and transparency. Vehicle owners who partner with the VOE will receive a proportional share of the proceeds from each rental transaction. This mechanism incentivizes residents to participate in the VOE program while creating a new source of income for them. On the other hand, the VOE acts as a manager and marketer of the rental services, ensuring good service standards and professionally managing the administrative and financial systems.

# B. The Effectiveness of Karya Bakti: Perspectives from Five Performance Indicators

As previously described, Karya Bakti of Puuroda Village runs three main programs: Agricultural Land Financing, provision of Agricultural Production Facilities, and Goods Transportation Rental Services. These three programs are concrete manifestations of Karya Bakti's efforts to implement the principles of community empowerment and local economic development. A comprehensive and measurable analytical framework is needed to measure the extent to which Karya Bakti has successfully carried out its role.

In this context, this study uses the organizational effectiveness framework proposed by Campbell (1977). This theory was chosen because it offers a holistic perspective in assessing organizational performance, considering several interrelated aspects. Campbell identifies five performance indicators that can be used to evaluate the effectiveness of an organization: Program Success, Goal Attainment, Program Satisfaction, Input and Output Levels, and Overall Goal Achievement. By applying these five indicators, the performance of Karya Bakti is analyzed comprehensively, referring to data collected through participatory observation, in-depth interviews, and documentation studies. This in-depth analysis is expected to provide a complete and comprehensive picture of the achievements, obstacles, and factors that influence the effectiveness of Karya Bakti in carrying out its programs and business activities, as well as its contribution to the village economy.

#### 1. Program Success

The Program Success indicator evaluates Karya Bakti's operational capability to implement its planned work programs by establishing plans and objectives. In the context of public administration, Program Success is an important performance indicator, as it reflects how much a public organization can translate policies and programs into concrete actions in the field (Sayful, 2020). The evaluation of this indicator includes an analysis of the processes and mechanisms of program implementation, from the planning and socialization stages to implementation and monitoring in the field.

The study's results indicate that Karya Bakti still faces challenges regarding program socialization in the Puuroda Village community. Although Karya Bakti has designed programs such as Agricultural Land Financing, provision of Agricultural Production Facilities, and Goods Transportation Rental Services, which conceptually have the potential to benefit the community, weak socialization has resulted in these programs not being fully understood and utilized optimally. Several informants in the interviews revealed that they did not receive adequate information about the programs offered by the VOE.

The village government and the VOE management have not been successful in comprehensively communicating and disseminating information about the VOE programs to the community. This situation indicates obstacles in information dissemination and public education related to the VOE in Puuroda Village. Although the regulations related to the VOE are pretty strong, in the context of implementation in Puuroda Village, aspects of socialization and internalization of VOE values to the community still need to be improved so that the programs can run well.

#### 2. Goal Attainment

The Goal Attainment indicator evaluates the outputs produced by Karya Bakti's programs. It measures Goal Attainment by comparing the established targets with the actual achievements in the field (Ulandari et al., 2024). As a business entity with a mission to improve community welfare, Karya Bakti must set measurable, realistic, and outcome-oriented targets. In this context, the VOE is not only required to produce outputs in the form of goods and services but also must be able to have a significant positive impact on the economy and welfare of the village community.

The research findings indicate that although Karya Bakti and the Puuroda Village Government have collaborated in formulating programs that align with community needs and village potential, these programs have not yet fully achieved optimal results at the implementation level. For example, the Agricultural Production Facilities program has not achieved optimal sales targets, as farmers still tend to buy agricultural production facilities elsewhere due to more competitive prices and quality. Similarly, the Goods Transportation Rental Services program has not reached its maximum utilization target by the Puuroda Village community.

The low achievement of Karya Bakti's program targets indicates a gap between program planning and implementation. From a public administration perspective, this can be caused by several factors, including weak coordination among stakeholders, a lack of competent human resources, or a lack of comprehensive monitoring and evaluation. To improve the Goal Attainment of its programs, Karya Bakti needs to conduct a thorough evaluation of the programs that have been implemented, identify the inhibiting factors, and formulate targeted improvement strategies.

#### 3. Program Satisfaction

The Program Satisfaction indicator measures stakeholders' satisfaction level, especially the Puuroda Village community, with the programs implemented by Karya Bakti. This satisfaction is closely related to the quality of products and services offered and the benefits perceived by the community as users or beneficiaries (Ningsih et al., 2022). In the context of a VOE that embraces the paradigm of community empowerment and participation, community satisfaction is a crucial indicator that reflects the success of the VOE in carrying out its mission. A high level of satisfaction indicates that the VOE's programs align with the community's needs and expectations and are managed professionally and service-oriented.

However, the study's results indicate that community satisfaction with Karya Bakti's programs remains relatively low. It is confirmed by the lack of community involvement and active participation in the VOE's programs. Interviews with several informants revealed they were unsatisfied with the VOE's services and products.

Factors contributing to this low satisfaction include the community's perception of the price of agricultural production facilities, which are considered more expensive than those in regular agricultural supply stores. This condition indicates the need for evaluation and improvement in program management to be more responsive to community needs and expectations and to be more competitive in the market. From a public administration perspective, community satisfaction is one of the leading indicators of public organization performance. Therefore, Karya Bakti needs to make concrete efforts to improve the quality of its services and products and build more effective communication with the community.

# 4. Input and Output Levels

The Input and Output Levels indicator measures the efficiency of Karya Bakti's management by comparing the resources invested (inputs), such as operating capital, labor, and regulatory support, with the results obtained (outputs), such as business income, job creation, and increased community economic activity. In the context of public administration, efficiency is one of the principles of good governance, where public organizations must manage resources optimally and produce maximum output (Febriansyah et al., 2024). Analysis of this indicator will provide an overview of how Karya Bakti can manage its resources effectively and generate value for money for the community. The research findings indicate that Karya Bakti has not yet achieved optimal efficiency in its management. It can be seen from several indications, such as the lack of transparent business income widely known to the community. The lack of transparency in managing VOE finances can lead to distrust and hinder community participation. In addition, several business units, such as Agricultural Production Facilities, have experienced stagnation and have not shown significant development, as indicated by low sales figures.

Based on interviews, it was found that people prefer to buy agricultural production facilities elsewhere because the prices offered by Karya Bakti are considered less competitive, even though the quality is comparable. This condition indicates that Karya Bakti needs to make improvements in terms of business management and marketing strategies in order to compete with other business actors. The low efficiency of Karya Bakti indicates considerable room for improvement. From a public administration perspective, VOEs, as public organizations, need to apply the principles of efficiency in their management, including budget planning, procurement of goods and services, and financial management.

#### 5. Overall Goal Achievement

The Overall Goal Achievement indicator is the ultimate indicator that measures the extent to which Karya Bakti has succeeded in achieving its primary objective, namely improving the welfare of the Puuroda Village community by managing local economic potential. This indicator is holistic and integrative, summarizing the overall performance of the VOE in carrying out its programs and business activities. In public administration, overall goal achievement is the culmination of all organizational activities. Public organizations are considered successful if they can have a significant positive impact on the communities they serve. Analysis of this indicator requires a broad perspective, considering several aspects, including economic, social, and environmental factors (Muis, 2022).

Based on the research findings, Karya Bakti has not achieved its overall goals. Although the VOE has implemented several programs and business activities, its impact on improving the welfare of the Puuroda Village community has not been significant. One indicator of this is the sub-optimal reporting on the results of program implementation to the village government and the community.

Although the VOE has made efforts to report its performance to the village government through deliberation forums, the reporting mechanism to the broader community regarding Agricultural Land Financing, Agricultural Production Facilities, and Goods Transportation Rental Services programs

is still not working correctly. This condition prevents the community from knowing precisely the performance and contribution of the VOE to village development, thus making community participation and support for the VOE less than optimal. The low Overall Goal Achievement of Karya Bakti emphasizes the importance of strengthening organizational governance and increasing public transparency. From a public administration perspective, accountability and transparency are fundamental principles that public organizations, including VOEs, must uphold.

# **CONCLUSIONS AND SUGGESTIONS**

Based on the findings and discussion, it can be concluded that Karya Bakti of Puuroda Village has not been fully effective in carrying out its role as a driver of the village economy. Despite having implemented three main programs, namely Agricultural Land Financing, provision of Agricultural Production Facilities, and Goods Transportation Rental Services, which were designed to address community needs, especially in the agricultural sector, and adhering to the principles of good governance, including transparency, accountability, participation, and sustainability, there are still several obstacles hindering the optimal performance of Karya Bakti.

The effectiveness analysis based on Campbell's five performance indicators shows that Karya Bakti still faces several challenges. Program socialization to the community has not been optimal on the Program Success indicator. Weak socialization has resulted in the Agricultural Land Financing, Agricultural Production Facilities, and Goods Transportation Rental Services programs not being fully understood and utilized optimally by the Puuroda Village community. Furthermore, on the Goal Attainment indicator, the Agricultural Production Facilities and Goods Transportation Rental Services programs have not achieved their maximum sales and utilization targets. This condition shows a gap between program planning and implementation in the field.

On the Program Satisfaction indicator, the level of community satisfaction with the services and products of Karya Bakti is relatively low. The higher price of Agricultural Production Facilities compared to other agricultural supply stores is one of the leading causes of low community satisfaction. Then, on the Input and Output Levels indicator, Karya Bakti has not been efficient in its management. Business unit revenues are not transparent, the Agricultural Production Facilities business unit has stagnated, and the price competitiveness of the products is low. Furthermore, on the Overall Goal Achievement indicator, Karya Bakti has not succeeded in significantly improving the welfare of the Puuroda Village community. The lack of transparency and accountability in reporting the results of program implementation to the community is one of the inhibiting factors. Overall, Karya Bakti has not been optimal in functioning as a village economy driver and a development instrument that favors community welfare.

Based on the above conclusions, it is recommended that the Puuroda Village Government, the management of Karya Bakti, and the Puuroda Village community take strategic steps to improve the effectiveness of Karya Bakti's management. It is suggested that the Puuroda Village Government improve its functions of fostering, supervising, and assisting Karya Bakti. Fostering can be focused on strengthening VOE management's institutional capacity and human resources, especially in business planning, financial management, and marketing. More intensive supervision, especially related to the transparency and accountability of VOE fund management, needs to be carried out periodically. In addition, the Village Government needs to facilitate the VOE in building strategic partnerships with the private sector and other related institutions to expand market access and increase product competitiveness.

Furthermore, the management of Karya Bakti is advised to be more proactive in conducting socialization programs with the community. Intensive and comprehensive socialization, using several effective communication channels, must be carried out so that the community understands the benefits and mechanisms of the VOE programs. VOE management also needs to thoroughly evaluate existing programs, especially the Agricultural Production Facilities, to increase competitiveness and adapt to market needs. Improving the competence of VOE management in business management, especially in financial recording and reporting, needs to be a priority. Transparency and accountability in financial management must be upheld to build public trust.

The Puuroda Village community must also be encouraged to participate more actively in Karya Bakti's programs. Active community participation, as the owners and primary beneficiaries of the VOE, is an important factor in the sustainability of the VOE itself. The community can provide constructive input and suggestions for improving the management of the VOE and play an active role in overseeing the implementation of existing programs. Thus, the synergy between the Village Government, VOE management, and the community will create a conducive ecosystem for the development of Karya Bakti as a locomotive for economic development in Puuroda Village.

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