

# Productivity The Village Owned Enterprises To Improve The Economic Community Of Gold Mining Areas In Sumbawa Island, Indonesia

*By Ibrahim*

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**Abstract:** In rural development, the government provides 1 billion rupees per village and on the other hand PT Newmont as a gold mining company also provides additional funding for the development and improvement of people's welfare. All funds are channeled through the Village Owned Enterprises throughout Indonesia. But in the last 3 years there are many deviations in the community, especially on the island of Sumbawa precisely the rural area around the gold mine. Therefore, the research team conducted observations, interviews, and document collection in the field through the help of the administrators of Village Owned Enterprises (VOE), communities and stakeholders and even local governments. Qualitative data management includes the process of reduction, display and conclusion. From the field data, it is found that the stakeholders see the unbalance of the VOE role in society caused by (1) the low quality and professionalism of human resources, (2) weak business management, and (3) the economic potential is not yet organized by good.

**Index Terms:** Village Owned Enterprises (VOE), Economics, Rural, Gold Mine.

## 1 INTRODUCTION

Indonesia has seven best gold mines and one of them is located in West Nusa Tenggara Province, precisely in West Sumbawa regency which is one of the important districts in West Nusa Tenggara Province, as a result of the existence of gold mining company by PT. Newmont Nusa Tenggara. The existence of a gold mine in an area gives a positive impact on the economic growth and welfare of the people [1]. Economic growth in West Nusa Tenggara Province this year is brighter, better than the previous year. Where the rate of economic growth in 2014 with the mining subsector reached 5%. The influence of export concentrate prohibition PT. Newmont Nusa Tenggara, has an impact on provincial economic growth, whereas the contribution of PT. Newmont Nusa Tenggara has the highest impact on Gross Regional Domestic Product (GRDP) in West Nusa Tenggara. However, based on the last 5 years data from the Central Bureau of Statistics in the field found that poverty rate increased on average each year by 3.13%. This condition is caused by the lack of access to information and public communication to local governments and gold mining companies, more specifically to the Village Owned Enterprises (VOE) which directly assigned to provide economic services to the community [2], [3].

This phenomenon is apparent in the gold mining community in West Sumbawa Regency is still high. Based on the poverty line and the percentage of poor people in West Sumbawa Regency shows that the poverty level of the last 10 years has a high poverty rate with an average of 8.08%. Though known West Sumbawa Regency has a wealth of Natural Resources in the form of gold mining, but has a higher poverty rate compared with other districts that do not have natural resources as a source of local revenue. Regional Autonomy is one of the solutions in dealing with this problem [4]. Regional autonomy is a government policy to further optimize its potential, so as to maximize the revenue of the area for the development and prosperity of its people [5], [6].

One form of rural economic development policy is the

existence of Village Owned Enterprises (VOE) [7], [8]. The existence of VOE in rural gold mining area is expected to answer the problem of poverty with approach of economic empowerment of society [9]. Therefore, this research would like to know and assess the economic empowerment of community through VOE in rural gold mining area in West Sumbawa regency not yet optimal, find the root of problem, and give offer of continuous solution so that it can have implication to appropriate policy in poverty alleviation.

## 2 VILLAGE OWNED ENTERPRISES IN INDONESIA

The formation of a container or institution such as Village Owned Enterprises (VOE) is expected to be a community media in improving the village and community economy [10]. Law Number 32 Year 2004 regarding Regional Government, VOE was established among others in order to increase the original income of the village. The existence of VOW as one of the economic institutions capable of bringing change in the improvement of welfare. The existence and performance of VOE must be able to make a significant contribution to the improvement of the people's welfare because this institution is a village business field managed by the community and village government in an effort to strengthen the village economy and build social cohesion formed based on the needs and potential of the village. So VOE is a business entity that has the function to conduct economic effort in order to get a result like profit or loss. The existence of VOE, has great potential in improving the welfare of rural communities. Law of the Republic Indonesia No. 6 of 2014 concerning villages in article 1 states that Village Owned Enterprise, hereinafter referred to as VOE, is a business entity which is wholly or partly owned by the Village through direct participation derived from separated village assets to manage assets, services, and other businesses to the greatest possible prosperity of the village community [11].

VOE with funding from the village government is not necessarily dependent on government funding. The VOE work program should be able to provide opportunities to improve the village economy and community welfare. According to the Village Minister, Disadvantaged Areas Development and Transmigration (2017) said that if a village-owned enterprise

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(VOE) develops it can make the village no longer dependent on the government's budget. In this case, village funds are no longer the main source of development in the village. Because the success of the institution in conducting its work program is measured based on the evaluation results by knowing the inputs to the program feedback to the community. The evaluation consists of several steps namely input, policy process, output, outcome, impact and feedback.

## 9 METHODS

This research is a qualitative study with research subjects is the community around the gold mine on the Sumbawa Island, Indonesia. The research team conducts observations and interviews to the community, stakeholders, and staff or members of the VOE. Data analysis method using the Miles & Hubberman method. The research method is described in Figure 1 below.

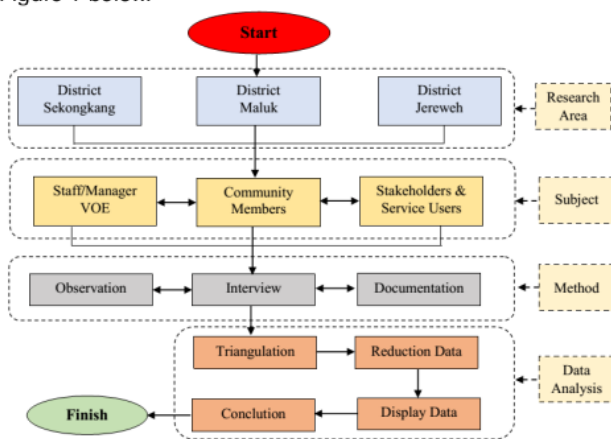


Fig. 1. Flow Chart of Research Procedure

## 4 RESULT

The success of VOE in managing the program requires the planning and ability of Human Resources professionals, so as to give a significant influence to increase village income and community welfare. The success of a program is measured by evaluating the outcome of the policy as the evaluation process consists of 9 inputs, processes, outputs, outcomes, impacts and feedback. Based on the results of observation, interviews and documentation in the field obtained the following information.

### a. Input

The success of VOE in the gold mining community in West Sumbawa Regency based on policy input consists of two analyzes namely (1) Human Resources and (2) funding.

#### 1) Human Resources

Human resources is a benchmark of success in program management. Implementation of VOE in rural gold mining area in West Sumbawa Regency with Human Resources still need coaching. Evident from the results of interviews with some village apparatus stated that the existence of VOE until now has not run in accordance with applicable provisions, this is caused by several factors, namely:

- Because almost every year the VOE board is replaced.
- Not yet available professional human resources, proven managers VOE have an

average education graduate who have no expertise in the field of economics.

- Lack of experience and skills possessed by the VOE board, so the VOE program is difficult to develop,
- There is no serious management of the VOE work program, as evidenced by the many work programs of just a saving and loan program as usual.

Based on the information that Human Resources (HR) VOE board in rural gold mining area has limitations, especially lack of human resources / skills and experience board. Quantity of human resources high but not qualified and not in accordance with the expertise possessed. This is reinforced from the results of research according to Edward in Nugroho (2014) that the availability of supporting resources, especially Human Resources (HR) is capable of being a factor to carry out effective public policy. On the other hand, Yikwa (2017) explained that improving the quality of village government apparatus can be determined through the improvement of Human Resources, through education level, administration of village administration, and quality improvement through public service duties.

### 2) VOE Funding

VOE funding<sup>1</sup> has been stipulated in legislation. Government Regulation of the Republic of Indonesia Number 43 Year 2014 Regarding the Implementation of Law Number 6 Year 2014 concerning Villages in Article 1 point 7 states that the Village Owned Enterprise, hereinafter referred to as VOE, is a business entity wholly or partly owned by the Village by participation directly derived from the wealth of the Village separated to manage assets, services and other businesses for the greatest welfare of the village community. The management of VOE in rural gold mining<sup>15</sup> as is clear that funding comes from village funds. Based on the results of interviews with the Village Secretary, it was found that VOE funding was confirmed in the government regulation that VOE's initial capital was sourced from the Revenue Expenditure Budget of the Village, in addition the business capital could be from the village community's capital. Another informant, the VOE Chairman, stated that the VOE funding source came from the village funds. Funding every year there is no provision depends on the agreement between the Village Head and the Village Representative Board (VRB). Each given year's budget may be high, low and may not exist. This means that the funds provided for this amount of IDR15.000.000 per year with the focus of programs that have been agreed with the community.

### b. Process

Evaluation of the program process is a policy in the form of direct service to the community. The success of VOE in improving people's welfare through its programs. The success of the process in this study is measured based on the socialization and implementation of the program in the community.

#### 1) Socialization of VOE Program

Government policy in the socialization of the existence of VOE in the community focuses on Law No. 6 of 20<sup>1</sup> on the Village. In Article 88, among others (1) Establishment of VOE is agreed through<sup>1</sup> Village Deliberation; (2) Establishment of VOE shall be



determined by Village Regulation. Article 89 VOE business results shall be utilized for (1) business development; and (2) village development, empowerment of village communities, and provision of assistance to the poor through grants, social assistance, and revolving fund activities set out in the Village Revenue and Expenditure Budget. The socialization at the village level was conducted by the Village Development Board of West Sumbawa Regency involving all village units. Based on interviews with Section Head VOE West Sumbawa obtained information that until now the socialization program at the village level has been done as many as 40 villages, except in the area of Sekongkang because in this area stewardship VOE not yet formed. This socialization activity is conducted routinely to provide an understanding in the application of VOE at the village level, especially in VOE governance which has long term targets to improve the welfare of rural communities. In this research found facts in the field that:

- a) Socialization of VOE in rural communities of gold mining areas has not been maximized.
- b) Although the presence of VOE in Indonesia not long ago, but felt by the community already has benefits for people who already have stewardship.

## 2) Implementation of VOE Program

VOE is formed by the Village Government to utilize all economic potentials, economic institutions, as well as the potential of natural resources and human resources in order to improve the welfare of rural communities. The existence of VOE as an effort to accommodate all activities in the field of economy and public services managed by the village or inter-village cooperation. Therefore, VOE is not just looking for profit but also moving the economy of society starting from existing and can be done. The focus is on potential opportunities and capacities that exist in each village in synergy with various fields. The implementation of VOE in the gold mining village village is still uneven in all villages. Especially in the Sekongkang sub-district, because this area is in the stage of VOE stewardship establishment. The process of implementing the VOE program in Jereweh sub-district has found indication not to run as expected. This is caused by two factors namely the management performance factor that has not been maximized and the number of people who do not timely return the borrowed village funds that implicate the accelerated management of unstable funds. However, the above statement indicates that the VOE program in the gold mining area has been partially operational and some areas are in the process of forming and improving. This is reinforced by the statement of the Head of Sumbawa Barat Village Empowerment Section which states that the VOE program has been running a lot, but there are some villages that have not been formed. Basically, the obstacles faced by the village in establishing and running the VOE program include (1) unprofessional Human Resources, (2) planning and development of weak business potentials of the community, and (3)

regional economic potentials that have not been well organized. One solution in this case is to instill the soul of the business in managing VOE in developing work programs in the direction of having a promising business planning. Therefore, the implementation of the program must be in accordance with the potential of the village and the characteristics of the community as the basic capital in the development of VOE towards an economically competitive and sustainable society.

### c. Output

Output is the output of a policy system. Government policy on VOE program for rural community of gold mining area of West Sumbawa always pay attention to VOE development that has been implemented. Evaluate this output as a medium to find alternative settlement of VOE that has been implemented, but still cause many problems in the process of realization. The development of the community-run VOE program the gold mining area has not reached its primary objective as a role in increasing village revenues and community revenues (1) building and developing the economic potential and capacity of village communities with the aim of improving their economic and social welfare; (2) to play an active role in enhancing the quality of human life and society, (3) strengthening people's economy as the basis of strength and resilience of national economy with VOE as its foundation; (4) seeks to realize and develop the economy of rural communities; and (5) helping the community to increase its income so as to increase the income and prosperity of the community. In fact, at the location of the research found information that the output of the VOE program in the rural community of gold mining area in West Sumbawa has not been fully realized. This is caused by the purpose of the work program has not reached the target and met well. Therefore, it is necessary to improve the skills and guidance of all village apparatus including the responsible VOE and stakeholders to support the continuous implementation of the program.

### d. Outcome

Outcome is the result of a policy within a certain period due to the implementation of a policy. Outcome in this study is measured from the level of community change beneficiaries of the program. VOE program policies with the aim of (1) developing the village economy; (2) to increase the Source of Original Revenue; (3) as a pioneer for economic business activities in the village; and (4) organizing public benefit in the provision of services to meet the needs of village people, one example is the provision of rice to the poor. However, the existence of rice provisioning program to the poor in the research location was found to be the fact that this program has not caused significant changes for the community, resulting from the inappropriate distribution system. This means that the existence of the program including new programs for the community need to be guarding and supervision and follow-up with continuous socialization and coaching for the board and the need for a common perception of the beneficiaries of the program, especially the poor and underprivileged, so that community empowerment is more targeted.

### e. Impact

Impact is a further consequence to the community as a

consequence of the implemented policy. The Rice for the Poor program policies in this study are measured by the level of economic change of the village and community beneficiaries of the program. Based on the results of recording and field interviews obtained information that the government's policy on the VOE program in the form of poor rice to the community has not had a positive impact on the community. This is due to the lack of government oversight of VOE managers and management in both the governance of the institutions and the evaluation of the work program implementation, so that there are still many unsuitable distributions.

#### f. Feedback

Feedback in this program is feedback from the impact of VOE programs on the community. VOE programs issued by the government as an effort to increase village income and improve the economy and welfare of the community. In this study measured from the diminishing poverty and society more empowered and independent. The objectives of VOE are (1) to develop the village economy; (2) to increase the Source of Original Revenue, (3) to organize the general benefit of providing services for the livelihood of the villagers and (4) as a pioneer for business activities in the village. The purpose of the VOE at the study site was found to be the fact that it had not achieved the goals and objectives. This fact is reinforced by research results Purnamasari et al. (2016) The existence of VOE as stated in the Law of Establishment and Management of Village Owned Enterprises (VOE), it is expected the Village Government can understand about the establishment and management of VOE, so it can be used as a driver of the economy of the village community and is expected to improve the welfare of rural communities, especially the backward villages of villages with low economic levels. The existence of VOE has not been able to empower and improve the economy of the village community. Another study from Tiballa (2017) explains that as for the inhibiting factors, the lack of awareness of the community in performing its obligations in the implementation of the VOE program, the lack of socialization provided by the VOE board associated with the work program, the lack of quality and professionalism of the VOE board

## 5 CONCLUSION

Based on the data in the field and the results of the discussion found some conclusions related to the productivity of VOE management performance in improving the economy of society that is (1) Constraints, consists of (a) The low level of professionalism of VOE managers and managers; (b) The economic potential of the community is not well organized and maximal; (c) Lack of socialization level from government and VOE management related to work program to society; (d) Weak management and performance of VOE in context of improvement of community economy; (e) There is a realization of work programs that have not been right on target. Then the (2) Solutions we offer are: (a) Skills training is needed in order to improve the work ethic quality of the central government to every region in Indonesia; (b) Each work program is constructed with the aim of improving the economy of the community; (c) The existence of monitoring and evaluation from government to work program from VOE always on target; and (d) Immediately formed VOE stewardship in areas that are still lagging behind for the existence and continuity of VOE

evenly throughout the territory of Indonesia.

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