

# Village-owner Enterprises (BUMDes) Development in southern Java Coastal Regions Caught in Dilemma

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## **Village-owned Enterprises (BUMDes) Development in Southern Java Coastal Regions Caught in Dilemma: Government's Provision and People Illiteracy**

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### **Abstract:**

This research paper aims at assessing the Village-owned Enterprises (BUMDes) as village business unit in Southern Java coastal regions as the output of community empowerment program promoted by the Ministry of Maritime Affairs and Fisheries (MMAF) along with the provision of Law Number 6 Year 2014 on Village. This is a qualitative research by conducting FGD and interview with coastal community of Kebumen Regency, the business unit managers and local administration. The results showed that BUMDes establishment is not effectively implemented. BUMDes already has managers yet business units have not started the activities so that the profit and impacts of welfare for the community have not been materialized. The condition of BUMDes does not reflect the fulfillment of good corporate governance principles which emphasizes the importance of control system and corporate regulation. The central government through Law of Village regulates BUMDes development as the economic center and public service in village. However, the business unit managers do not know how to develop it to be trade center of agricultural commodities, services, staple crop supply, and manage home industries. Thus, the government expectation to make the village business unit as the economic center in the coastal community is not realized yet. This article suggests several strategic steps necessarily taken by local administration and BUMDes managers to manage and develop BUMDes to be the center of village economy. Those steps include BUMDes internal reinforcement, national and local government support as well as people contribution.

Keywords: empowerment program, village business unit, coastal community.

### **Introduction**

Joko Widodo government brings "Achieving a sovereign, independent and character Indonesia based on communal work" as its vision. One of its missions is to manifest Indonesia as an independent, developed and strong maritime state based on national interest. This national mission is right way to encourage the life quality improvement of coastal community. Coastal communities dominantly live in poverty particularly in southern coastal areas. High tide and waves in Indian Ocean prevent fishermen from fishing throughout the seasons, unlike that of northern coastal areas.

Furthermore, the coastal community has a very limited access of education and health facilities, lack of infrastructure, weak social organization and poor sanitation. It goes without saying that the government prioritizes its national development on coastal community welfare.

Administratively, coastal areas are divided into some smaller areas called as village. Village is governmental organization which politically has authority since it is the smallest governmental unit in Indonesia (Mashuri Maschab, 2013). Village is basically law unity in which community reside and authorize their own administration. Since 2014, the provision of organizing village has been regulated in Law Number 6 Year 2014. It encourages village government to manage and develop resources in its area.

One of efforts to develop village resources is done through establishing Village-owned Enterprises (BUMDes). It is a business unit organized by community and village administration to strengthen village economy. It is established by considering community necessity and potentials. However, does it run well when BUMDes is established amid coastal community poverty? Commonly coastal community is low in education, limited knowledge and lack of experience in managing village business units. Accordingly, the BUMDes establishment is interesting to investigate further.

In line with national mission in which creates an independent, developed and strong coastal community, government through <sup>1</sup>the Ministry of Maritime Affairs and Fisheries has issued Strong Coastal Areas Development (PKPT) Program. This program aims to establish an independent through improving community institutions in making decision process and social economic development (<http://www.kkk.go.id> accessed on 11 November 2016). By doing so, it is expected that this program provides solution for

the community. PKPT also aims to support the BUMDes establishment <sup>2</sup> as stipulated in Law Number 6 Year 2014 on Village.

This article attempts to analyze BUMDes management in villages of southern Java coastal regions, particularly Kebumen regency as the output of PKPT program. This paper is divided into six segments. First segment contains introduction which depicts government program to encourage coastal village in improving welfare through establishment of BUMDes. The second contains research method which describes research focus, technique of data collection and data analysis. The third explains empowerment program which aims to enhance coastal community quality and further understanding on BUMDes. The fourth part discusses people incapability in managing and developing BUMDes. The fifth proposes considerable strategic steps village administration should take as well as BUMDes managers to develop BUMDes. Finally, the sixth concludes remarks which sums up the topic and confirms the problems in managing BUMDes. In addition, it is recommended to take strategic measures to develop BUMDes to be the center for coastal community economy as government expect.

### **Research Methods**

This study focuses on BUMDes management as village business unit in southern Java coastal regions. Regions in this research refers to Kebumen Regency, Central Java. This is qualitative research which is in accordance with researcher's belief, experience-based study and nature of problems (Strauss and Corbin, 1990: 19). The data were collected through in-depth interview, focus group discussion which involved BUMDes managers of two villages namely Jogosimo village, Klirong Subdistrict and Tegalretno village, Petanahan Subdistrict, Kebumen regency, local administration, PKPT program

managers and public figures. Meanwhile, documentation was done through primary documents such as laws and regulation on BUMDes, list of management and meeting materials, program reports, village monographs and other related references. All collected data were then analyzed simultaneously. The data treatment and analysis was initiated by process of data <sup>4</sup>clarification, theoretical abstraction on information and facts to produce fundamental statements from which a conclusion was then drawn (Silbergh, 2001: 173).

**BUMDes as *Out-Put* of Empowerment Program of <sup>1</sup>Ministry of Maritime Affairs and Fisheries as well as Law Provision Number 6 Year 2014 on Village**

Government through <sup>1</sup>the Ministry of Maritime Affairs and Fisheries has designed an empowerment program entitled Strong Coastal Areas Development (PKPT) to improve coastal community institutions in making decision process as well as develop social economic infrastructures. The program focuses on costal resilient village in which community contribution considerably determines the success of the program. During 2012-2016, the Ministry determined 141 coastal villages to be involved in this program which ranges in regencies and 24 provinces throughout the nation. One of them is Kebumen regency.

Kebumen lies on the southern Java Coastal region as long as 57.5 km of coastline which covers 36.6 km<sup>2</sup> areas. This region is apt to disaster and climate change. Even, it becomes worse as sand mining and shrimp aquaculture considerably increase. The illustration of southern Java coastal region particularly Kebumen can be seen in Figure 1. Most people living in this region are pre-prosperous families. Needless to say that they receive this PKPT program; two of which are Jogosimo village, Klirong subdistrict and Tegalretno village, Petanahan subdistrict. Both received the PKPT

program during 2015-2016. To make a living, most people are fishermen, any activities related to fisheries and the rest work as farmers, entrepreneur and animal farmers. As fishing community, there are several groups such as fish traders, fish treatments, fish marketing and others.



Figure 1. Southern Java Coast, Kebumen regency and the activities of researchers

During two years program, it successfully improved community skills and infrastructures. The following is work program of PKPT implementation during 2015-2016.

**Table 1.**  
**Empowerment Program in Kebumen coastal areas 2015-2016**

Name of Village	Activities	Work Program		Exit strategy
		2015	2016	
Jogosimo	Human empowerment	<ul style="list-style-type: none"> <li>• Training on fresh water fish culture</li> <li>• Training on making fish nuggets.</li> </ul>	<ul style="list-style-type: none"> <li>• Training on disaster preparedness</li> <li>• Training on institutional</li> </ul>	Establishing Village-owned
	Business empowerment	Training and guidance on freshwater fish farmers.	Procurement of tourism boat including duck boat	
	Resources	Procurement of fish	-	

	empowerment	treatment facilities.		Enterprises (BUMDes)
	Environment and infrastructure empowerment	The making of talud.	<ul style="list-style-type: none"> <li>• Development of tourist route.</li> <li>• Building turtle conservation</li> <li>• Building information portal in tourist sites.</li> </ul>	
	Disaster preparedness and climate change empowerment	-	Procurement of genzet and electricity	
Tegalretno	Human empowerment	Training on making crystal coconut sugar.	<ul style="list-style-type: none"> <li>• Training on disaster Preparedness</li> <li>• Training on institutional</li> </ul>	Establishing Village-owned Enterprises (BUMDes)
	Business empowerment	Training on making <i>nata de coco</i> .	<ul style="list-style-type: none"> <li>• Procurement of fishing boats.</li> <li>• Procurement of canoes.</li> </ul>	
	Resources empowerment	Facilities procurement of nata de coco.	-	
	Environment and infrastructure empowerment	Water pump procurement.	Building bridge.	
	Disaster preparedness and climate change empowerment	Building talud and <i>rabat beton</i> streets.	-	

Sumber : PKPT work report 2015, Kebumen: Maritime and Fisheries Agency, 2015;  
 PKPT work report 2016, Kebumen: Maritime and Fisheries Agency, 2016.

As the table shows, the main *output* or *exit strategy* of the PKPT program is establishing BUMDes. This output is the implementation of government <sup>2</sup> obligation as stipulated in Law Number 6 Year 2014 article 87. The article stated that BUMDes is the center of rural economy. In regard to this, the objectives of BUMDes are:

1. Improving village revenue;
2. Providing services on community;
3. Enlarging opportunity and repressing unemployment; Increasing people income;
4. Alleviating poverty.

BUMDes establishment is conducted in several stages; 1) Deliberation to meet an agreement; 2) Agreement is materialized into Articles of Association which contain organization and working procedures, membership regulation, accountability and reporting system, profit sharing and bankruptcy; 3) Proposal of agreement draft as village regulation drafts.

BUMDes as economic center institutionally belongs to and is managed by village. BUMDes management is separated from village administration. The executives of BUMDes management consists of; 1) Commissioner (chief of village) functions as advisory board; 2) Supervisory boards which has equal position to the commissioner; 3) Operational Managers, lower position than commissioner who leads several village units; 4) Village Units led by a chief under Manager supervision.

To support BUMDes legality, a village regulation ratified by Village Chief by taking account of Village Deliberation Body (BPD) is required. The regulation at least comprises; 1) Name of BUMDes and time of establishment; 2) Principles of BUMDes implementation; 3) Objectives and Purposes of BUMDes; 4) BUMDes Management; 5) BUMDes Finance; 6) profit regulation; 7) BUMDes accountability; 8) BUMDes dismissal.

BUMDes financial capital is derived from 51% of village budget and 49% obtained from the community. In more details, BUMDes finance is derived from: 1) village administration; 2) community savings; 3) government aid (national, provincial and regional aid); 4) loan; 5) business cooperation with other parties. In addition, the finance can be obtained from regular fund program from the government (either central or local) which is given to the village government. Meanwhile, BUMDes runs several business unit including: 1) services; 2) Staple food distribution; 3) agriculture; 4) small



and home industries. The profit they gain is allocated to develop business, village development, community empowerment and pre prosperous families.

The depiction above shows that normatively, national government effort to make BUMDes as the economic center is adequate. The government has regulated objectives of BUMDes establishment, BUMDes establishment mechanism, BUMDes management, BUMDes legality, BUMDes scope of business, and BUMDes financial capital. However, does the implementation properly develop especially BUMDes in low prosperous community in coastal areas? In regard to this, this article tries to identify problems of BUMDes management in coastal areas particularly Kebumen.

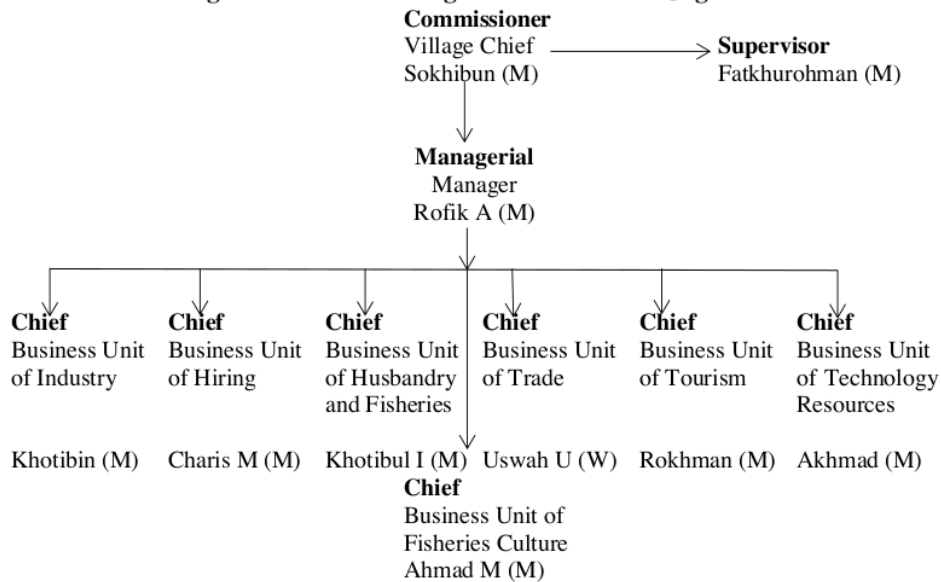
#### **Coastal Community Problems in BUMDes Management**

Indonesia comprises 74,250 villages as the smallest governance unit. The given data shows that until the end of 2016, only 29% of those numbers which establish BUMDes. Furthermore, out of 29%, 39% BUMDes have been actively established by producing productive economic activities (*Kompas*, 29 April 2017). The low percentage indicates that most of villages in Indonesia are incapable of implementing the BUMDes. Despite the BUMDes structure establishment, its existence merely meets legality aspects including village regulation as the base, articles of association, management, yet unavailability of productive activities. Generally, BUMDes revenue still counts on capital allocation of village budget.

Similarly, this phenomenon occurs in BUMDes of Jogosimo and Tegalretno villages. Pre prosperous community, low education level, lack of knowledge and experience as well as very limited access of public facilities build social context of BUMDes establishment. BUMDes which expectedly encourages community economy

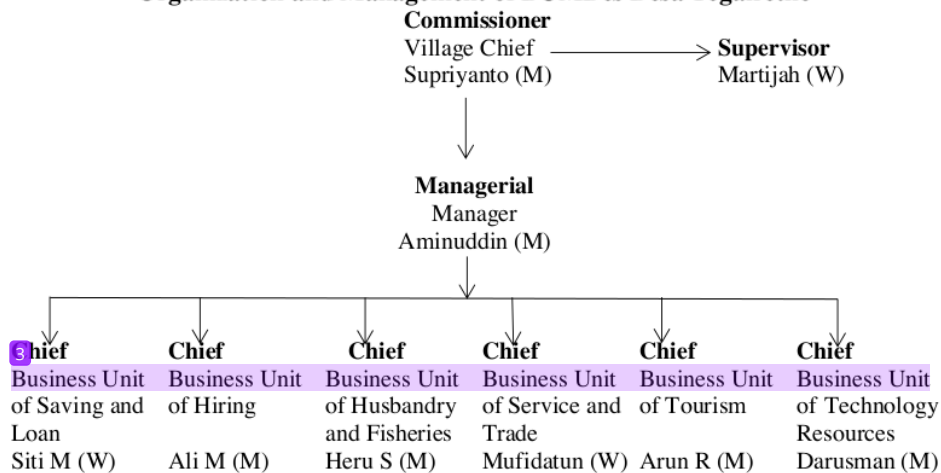
functions as a label only without any concrete activity. Normatively, BUMDes in both villages has been completely established illustrated as follows.

#### Organization and Management of BUMDes Jogosimo



Source : Village's Regulation Number 144 Year 2016 on Advisor, Executives and Supervisor of BUMDes Jogosimo, 2016

#### Organization and Management of BUMDes Desa Tegalretno



Source: Village's Regulation Number 3 Year 2016 on The BUMDes Tegalretno Establishment and Management, 2016

The management of BUMDes above is in accordance with the prevailing regulation particularly consisting of commissioner, managers, supervisor and several unit chiefs. Normatively, task and duties of commissioner, supervisor, managers and Unit chiefs have been explained in Articles of Association. Corporate governance principle states that a corporate must consist of those who involve in business such as commissioner, managers, stock holders and stakeholders with binding responsibility. These refer to *Organization of Economic Cooperation and Development* (Sri Mulyati, 2010). In this context, BUMDes organizational structure has met corporate governance.

The selection of business units relatively vary depending on the village potentials which might be different from one to another. Women role has also been accommodated especially in Tegalretno in which two Unit Chiefs and Supervisor are led by women. By doing so, it is expected that women interest can be accommodated. The coastal women involve in fish management, micro industries, tourism management, and trading. They also actively take part in natural preservation.

The selection process of BUMDes organizers is based on the given regulation which is initiated by deliberation, articles of association drafting, composing draft of village regulation followed by the issue of village regulation on BUMDes. Besides involving commissioner, managers, stock holders, stakeholders and other parties, a corporate governance also provides a procedure of decision making. The presence of BUMDes articles of association indicates the implementation of corporate governance principle.

BUMDes Jogosimo and Desa Tegalretno have organizational structure and decision making procedures in line with the corporate governance principle. Yet, in practice, both BUMDes encounter the following hindrances:

1. BUMDes management has not been supported by qualified resources either managers or community in particular dealing with productive economic activities understanding.
2. Limited skill and competence cause the difficulties in identifying local potentials to explore and to develop as a business unit in BUMDes.
3. Micro scale business run by the community like fish products, snacks, housewares and others are more likely to be personal business which is difficult to be integrated into BUMDes.
4. BUMDes mechanism and manager appointment is procedurally in accordance with the given law yet it less considers personal qualification.
5. The absence of training model either in the level of national and local government which intensively guide and open networking for marketing of BUMDes products.

In general, the development of productive economic institution like BUMDes is based on less favorable cultural values. Kebumen people is part of Javanese community accustomed to paternalistic system which depends on their leader. It means that the community largely depend on particular figure to move and motivate them in developing a new productive economic activity. In this regard, a village chief plays a significant role. If the leader is enthusiastic and high spirit of entrepreneurship, the people would be encouraged to develop themselves.

Furthermore, the local values somehow hamper them to develop their skills. They tend to hold Javanese philosophy “*nrima ing pandum*” (take everything in life for granted). This way of life does not support the entrepreneurship spirit of self-development. They feel content with their current life.

In addition, micro small enterprises initiated by PKPT program stagnate. Despite the improved knowledge and skills and better facilities, only few of them are able to develop. Moreover, there is no agreement of profit sharing between BUMDes organizers and local administration if the micro enterprises are integrated into BUMDes. Consequently, it finds it difficult to integrate them into BUMDes which ideally enables people to support and improve community economy.

Those constraints cause BUMDes management gets stuck on the level of management and articles of association arrangement. So far, BUMDes do not operate effectively and beneficially in spite of the presence of managers. It is because local administration and BUMDes executives have limited knowledge to develop BUMDes. In this regard, good corporate governance cannot be achieved. A good corporate governance portrays a system of control and regulation of corporate reflected among managers relation, commitment and subject to regulation as well as healthy and ethical business implementation (<http://www.bpkp.go.id>, accessed on 1 July 2017).

Actually, it is irony to see BUMDes are stagnant in coastal areas since those areas have received PKPT program for the last two years. Many kinds of empowerment programs including training of food production, fishing groups mentoring, and procurement of productive assets such as tourism boats, water pumps, genzet and other ideally motivate the community to develop their business units in BUMDes. They should have been grateful since not all villages throughout nation receive the program. Moreover, the BUMDes was established for the sake of fulfilling given law and regulation (Law Number 6 Year 2014) not based on people necessity. Although they live in poverty they thought that they do not need BUMDes as a solution for their present

condition. It happens since people do not realize the importance of BUMDes to improve their life.

It should be noted that further provision of the Law on Village states that BUMDes establishment is one of requirements of village development disbursement either national provincial, or regency government. As it is known that to implement developmental program, villages are granted annual fund by the national government called as Village Fund, while provincial and regency called as Village Fund Allocation. To obtain the funds, village must have BUMDes regardless whether it develops or not. In other words, the policy on BUMDes is affirmative to 'urge' village administration to have center of community economy in accordance with Law on Village.

The problems encountered by both villages actually occur in other village in Indonesia. Yulianto (2017) recorded that the sluggish development and establishment of BUMDes are caused by the followings:

1. BUMDes is considered as burden to village administration since they have to add more budget allocation which does not give immediate and practical benefits for village income.
2. BUMDes is not regarded as part of main duty and function of public service by local administration.
3. BUMDes is not supported by skillful and experienced human resources.

Ironically, the local administration in coastal areas till present have not understood well about the essence of BUMDes. Their knowledge is limited to legal base, mechanism, organizational structure and village regulation drafting as the legal formal base of BUMDes establishment. They do not know how to expand and develop as the main objectives of BUMDes to support and develop local potentials in the

village. Besides, the advanced BUMDes management is able to improve village revenue as one of capital of its development. If it is achieved, it will enhance local administration credibility among community in running their governance.

### **Strategies of BUMDes Development as the Center of Community Economy in Southern Java Coastal Region**

The description above indicates that BUMDes function as the center of community economy in southern Java coastal regions especially Kebumen is not fully implemented. In fact, BUMDes expectedly functions as an instrument to reach people welfare through community business development. It could have been an instrument for village autonomy reinforcement based on its potentials. Then, the article identifies opportunities and necessary strategies to develop BUMDes in Kebumen. Further, it is expected that this can be reference for rural development in other areas in Indonesia.

Principles in determining development strategies of BUMDes according to Yulianto (2017) are; 1) preciseness of selecting creative economic unit. Specifically, the selection is based on natural resources availability, community-based economic activities and visionary program proposed by managers; 2) the ability to invest participatory capital derived from APBDes (Village Budget). In this context, investment in line with rural economic program would produce increased community income; 3) synchronization of BUMDes and empowerment programs. If it works, it will support BUMDes development. In his elaboration, Yulianto provides example of successful BUMDes management in Ponggok village, Polanharjo sub district, Yogyakarta which utilizes water spring as tourist destination and productive activities in agriculture and fisheries. Annually, the BUMDes contributes 5 million rupiahs as village income.

Back to BUMDes development in Kebumen, one thing to understand is to comprehend governance mission of Regent and Vice Regent of Kebumen regarding coastal region management. One of the missions is self-reliance economy based on local potential development through synergies among agriculture, industry, tourism, and other sectors by emphasizing community income improvement and eco-friendly job opportunities.

To materialize its mission, the local administration determined cluster-based development. Cluster becomes the basis to manage areas according to its potentials. There are five cluster development namely coastal tourism cluster; pandanus plaits cluster; kampong batik cluster; crystal coconut sugar; and animal husbandry cluster. To enforce them, Kebumen government optimizes each agency according to their local potentials. Referring to the cluster model, BUMDes belongs to coastal tourism cluster. It means that the development target aims to build and develop tourist potentials in coastal areas as business unit of BUMDes (Dispermades Kebumen, 2017).

As a follow-up of BUMDes reinforcement in coastal areas, the local government needs to strengthen capacity of BUMDes managers through training programs. The government needs to establish a networking to encourage BUMDes builds up cooperation with other parties including company through Corporate Social Responsibility (CSR) program. Besides, BUMDes needs to be accommodated to expand marketing their products. Those steps need to be implemented to strengthen the existence of BUMDes as the center of community economy.

Next, internal reinforcement is also considerable to develop BUMDes in coastal areas including 1) the importance of nurturing social entrepreneur; 2) identification of strategic issues for development; 3) participatory capital. BUMDes as a corporate



governance requires creative, innovative, competitive, risk taker and wide networking entrepreneur managers. Unfortunately, the village chief functioning as commissioner or advisory board is a bureaucrat which is not common with entrepreneurship. Since the village chief plays role as *top leader* to run BUMDes, it is obligatory for village chief to learn and develop entrepreneur spirit. In addition, he has to select executive manager or unit chief who have good social entrepreneur spirit, namely those who are high motivated to develop with social orientation. Anyhow, BUMDes belongs to village which was established to improve community welfare. Thus, the profit orientation is for community interest rather than individual. The growth of BUMDes in Dlingo village, Bantul, Yogyakarta provides sample how a village chief becomes the key figure to encourage BUMDes. Dlingo is a remote, underdeveloped, barren region. Thanks to high commitment and social entrepreneur of the chief, he has successfully brought the village to have one of the best BUMDes in Indonesia. It has minimarket, housewares industries, and many others. It also successfully develops information technology to ease the access of information technology and business network (<http://kbr.id/032017/> accessed on 5 July 2017).

The next step is identification of local potential as strategic issues for BUMDes development. In particular, it deals with government program in southern Java coastal areas including Kebumen.

At present, the president Joko Widodo is building a megaproject of transportation routes in southern part of Java which links eastern and western part of Java which crosses almost each province. It is called as the *Jalur Jalan Lintas Selatan* (JJLS, Java South Lane). Kebumen is one of region crossed by the lane. Surely the transportation development stimulates and support the tourist industries, fish marketing

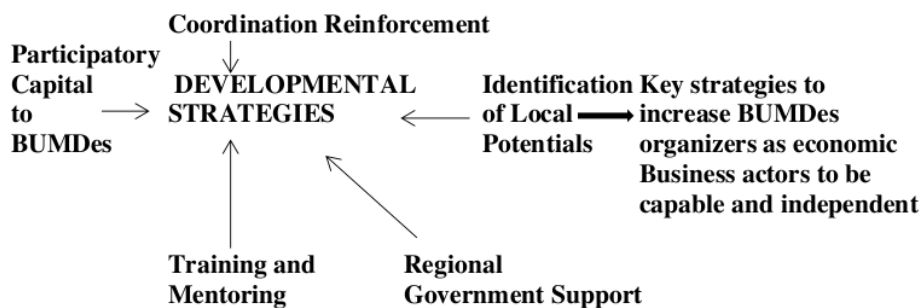
and its products, as well as micro industries (DKP Kebumen, 2017). This becomes a strategic issue that BUMDes managers should capture to strengthen the BUMDes development by running real economy-based unit.

Another strategic issue is the plan of new Yogyakarta International Airport Development which is less than 75 km from Kebumen coastal areas. This development along with the transportation facilities positively support the growth of BUMDes units (DKP Kebumen, 2017).

Then, BUMDes participatory capital is the next step. The capital availability actually is not a matter since it has been regulated in Law of Village which states that participatory capital of APBDes becomes the BUMDes capital. APBDes allocates 30% for administrative salary and 70% is used for infrastructure development and community empowerment. BUMDes receives its finance from the 70% allocation managed by the local administration. In this context, BUMDes regularly receives annual fund from APBDes. The problem is how the managers organize and invest it in a productive economic activities to gain profit which increase village income.

Several steps in developing BUMDes including regional government support, BUMDes internal reinforcement, local potentials identification are presented below:

#### **BUMDes Development Steps**



Source: Dispermades Kebumen, 2017

After those steps completed, the next thing is arranging strategic issues and work program of BUMDes which are suitable in coastal areas. The selection of work program must take account of local potentials, resource capability and capital. Furthermore, the work program is implemented based on priority scale. In more details, possible strategic issues identification and work program to implement in Kebumen BUMDes are displayed as follows:

**Table 2.**  
**Strategic Issues Identification and Programs that can be implemented in BUMDes of Kebumen Coastal areas**

No.	Strategies	Work Programs
1	Develop local potentials by making use of JJLS Java South Lane and Yogyakarta International Airport	<ol style="list-style-type: none"> <li>1. The development of coastal tourism which is integrated with JJLS and Airport.</li> <li>2. Services development like vehicles rents.</li> </ol>
2	Attempt to improve human resources, institution and community economy capacity.	<ol style="list-style-type: none"> <li>1. Skill training for community and institution like handicrafts.</li> <li>2. Community economic empowerment including village market, village food stock and shops.</li> <li>3. Running business to meet community basic needs like drinking water.</li> </ol>
3	Utilize given potentials optimally while preserving nature.	<ol style="list-style-type: none"> <li>1. Coastal ecosystem supervision by community.</li> <li>2. Producing particular items or meeting product with customer needs.</li> </ol>
4	Optimize the available fund, institution and human resources to face competitiveness.	<ol style="list-style-type: none"> <li>1. Budget efficiency.</li> <li>2. Human resources and institution optimizing.</li> <li>3. Products improvement qualitatively and quantitatively.</li> <li>4. Saving and Loan unit which provides saving, credit and loan service to community.</li> </ol>

*Source: Dispermades Kebumen, 2017, adjusted; DKP Kebumen, 2017, adjusted*

After all, people participation is the key factor to implement those strategies. Community contribution is inseparable from village development. It can be done by active participation among all elements such as public figures, youth, fishermen, farmers, traders, animal farmers and others. Community involvement in BUMDes can

be initiated from work program plan, work program implementation, and evaluation and monitoring of the program. Each element of community can take part in BUMDes activities based on its unit including saving and loan, industries, trade, fisheries and animal husbandry. For instance, fishermen group is managed in fisheries unit, industrial activists is accommodated in industrial unit, etc. Even though there have been individual business prior to BUMDes, an integrated business unit enables community to grasp greater opportunities.

Furthermore, a well-developed BUMDes can support community capital needs including fishermen, farmers, trader, etc. People can also deposit their money in saving and loan units for interest. The increased community participation positively brings impact on BUMDes productive economic performance. Involvement of all elements builds local administration credibility, reliance and accountability. Besides, it also improves sense of belonging among community toward BUMDes.

### **Closing remarks**

It is needless to say that pre prosperous communities particularly those who live in Kebumen coastal region gain special concern from the government. It can be manifested through PKPT empowerment program like BUMDes. Yet it is not well-developed. BUMDes was established for the sake of fulfilling the given law without any significant activities. The managers, local administration and community do not know how to run and develop BUMDes. It sounds ironic since they have experienced training and empowerment program to improve skill and production asset supply. In fact, the local community are incapable of developing productive economic activities. They also find it difficult to identify the village local potentials. In addition, they have never learned about production management. This condition unfortunately is enforced by their

cultural values '*nrima ing pandum*' (take everything in life for granted). Paternalistic pattern living among them also contributes to this unfortunate circumstance. They rely much on their leader, the village chief. Hence, the very first thing to do is to grow social entrepreneur spirit among village chief and BUMDes managers.

Corporate governance principle in organizational structure and decision making process of BUMDes have been met yet it does not function effectively to encourage productive economy. As a consequence, the ideal condition of good corporate governance has not been implemented since there is no business practice which provides control and accountability to push corporate performance. On the other side, Kebumen government have not perform their function at best to reassure BUMDes through technical training and network access. Besides, the government do not prioritize BUMDes as the main natural resources organizer in village. Undoubtedly, the regency requires support from both provincial and national government. Several strategic steps have been discussed including the importance of government support, BUMDes internal reinforcement including potentials identification capability of managing and investing capital and etc. More importantly, community participation and contribution is vital for BUMDes development. Sense of belonging is also improved among community as the key factor to succeed BUMDes as the center of community economy.

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