

## Village-Owned Enterprise Strategy in Improving the Economic Welfare of Sustainable Farmers

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### Abstract

This research analyzes the role of BUMDes and other multi-stakeholders in efforts to improve the welfare of farmers in rural areas. The research uses qualitative methods with explanation analysis techniques. The results of the research show that the problems faced by farmers are largely influenced by middlemen's play in determining prices which has an impact on farmers' losses, apart from that, it is also influenced by the lack of access to information related to the market. For this reason, the village government is trying to create an agricultural business unit under the auspices of BUMDes which provides assistance to farmers in the form of capital support, marketing and also providing market guarantees. This innovation is considered successful in improving farmers' livelihoods and welfare. The agricultural economic development process carried out by BUMDes is basically the result of collaborative work carried out jointly with farmers, the private sector and supra-villages. An institutional pattern built on trust, transparency and strong commitment is the key to their success in building collaborative governance.

**Keywords:** agriculture; BUMDes; farmers; welfare

### Introduction

Big cities often have better infrastructure and better public services, and are centres of modern formal sector activities, such as manufacturing and services. In contrast, rural areas are greatly dependent on traditional economic activities which are less productive and are often not provided with the same level of facilities. These structural differences are reflected in per capita income and other welfare indicators (Hutchinson, 2016). Rural communities are the most marginalized group due to the insecurity of global issues, as they often face several challenges to achieving

economic equity and social sustainability, especially those who have inadequate financial resources (Rashid, et.al., 2019; Razali & Rashid, 2021). Marginalized households, especially those with socio-economic problems, face several challenges. On the other hand, different rural communities have different socio-economic backgrounds (Mohd Arshar & Shamsudin, 1997). Many governments in various countries focus on rural development plans and programs, including the development of public facilities and infrastructure, resettlement schemes, rural industrialization, modernization of the agricultural sector, community development,

and poverty alleviation through the utilization of rural people's livelihoods (Hutchinson, 2016; Ibrahim, 2012; Rashid, et.al., 2019).

In the context of Indonesia, the enactment of the Act of the Republic of Indonesia No. 6/2014 concerning Villages has become a breath of fresh air for rural communities to be able to leverage their backwardness with urban communities. The leverage which can move village communities to progress as regulated in the act is state recognition of villages based on the principles of recognition and subsidiarity as well as financial support for villages through the Village Fund (Dana Desa). Having provided with this authority and financial support, the villages will be better able to capitalize on their potential and assets to achieve prosperity. Recognition of this principle is very crucial for changing the social situation in the villages since it can create an influence for improving the welfare of the village communities. The depiction of village progress after the enactment of the act is the improvement of basic facilities in villages in the form of restoration of roads, bridges, reservoirs, irrigation, and early childhood development (Hadna, Agus Heruanto; Zamroni, Sunaji; Hidayana, Bambang; Purwanto, 2017; Rahayu, 2017; Smeru, 2018; Sofianto, 2017; Yudha, 2018) and reports from Kemenkeu (2017).

The purpose of village development as stated in Article 78 (1) of the Act of the Republic of Indonesia concerning Villages is to improve the welfare of rural communities and the quality of human life as well as poverty alleviation through the fulfillment of basic needs, development of village facilities and infrastructure, development of local economic potential, and utilization of natural resources and the environment sustainably. Therefore, it opens opportunities for villages to improve the economy and welfare of their communities by developing the potential of the village through the support of village funds. It is such direction of rural development which will be able to accelerate poverty alleviation and reduce

regional disparities between villages and cities (Hadna, Agus Heruanto; Zamroni, Sunaji; Hidayana, Bambang; Purwanto, 2017).

To maximize the use of village fund, the Ministry of Villages and Development of Disadvantaged Regions annually issue regulations related to the priority use of Village Funds. Based on the regulation of Ministry of Villages and Development of Disadvantaged Regions No. 22/2016 concerning Priority Determination of the Use of Village Funds in 2017, it is stated that the development of village economic infrastructure aims "to implement the village economic barn which includes: (a) productive-scale agricultural economic business for food security; (b) agricultural economic business productive scale which is focused on the policy of one village one superior product, including aspects of production, distribution and marketing; and (c) other productive-scale economic enterprises that are focused on the policy of one village one superior product, including aspects of production, distribution, and marketing.

Some efforts made by the Ministry of Villages and Development of Disadvantaged Regions for the development of the village economy is accommodated in the form of Village-Owned Enterprises (BUMDes) which are now starting to be established in all villages in Indonesia (Zuraya, 2018). BUMDes is one of the village's economic independence by moving strategic business units for collective economic efforts in the village (Putra, 2015). BUMDes has a great opportunity to be developed as part of people's economic development agenda, especially the agricultural sector which is mostly involved by rural communities. The strategic role of BUMDes in agricultural businesses can be a partnership among farmers in an integrated farming system. Such concept is commonly referred to as an agricultural corporation (Cook, 1995).

Farmers have been economically and politically disadvantaged by the government (Suseno & Suyatna, 2007). Several problems

in policy which do not favor farmers are classified as structural problems which need to be addressed to improve farmers' welfare (Elizabeth, 2007). The policies which have existed so to date are a development strategy error which must be changed by fairly giving control and management of domestic resources to farmers and the community (Sajogyo; Sajogyo, 2002).

The trading system which so far has emerged is also not in favor of farmers. The high price of food is not only influenced by the law of supply and demand but is also caused by the length of the distribution chain of agricultural products. Supposedly when food prices increase, farmers should have benefited from the yields, but the reality does not show the same way. The ones who are benefited the most from the length of the distribution chain are middlemen (Abebe, et.al., 2016).

Every actor in the distribution chain takes advantage. The impact is an increase in prices, i.e., the farmers and consumers are the most disadvantaged parties in the distribution chain. Farmers get low prices for their products, while consumers get very high prices. Therefore, the presence of BUMDes is expected to be able to shorten the distribution chain of goods, thus avoiding the actions of middlemen who are difficult to control by the government (Fernandez, 2016). BUMDes has a role as the vanguard of the village economy while maintaining the food price stability (Sudjatkiko, 2016).

This study aims to examine the role of BUMDes to improve the welfare of farmers from an economic aspect. BUMDes as a unit which is rapidly growing after the establishment of the Act of the Republic of Indonesia concerning Villages is the hope of village communities to improve their welfare. This study specifically becomes an effort to show the smart practices carried out by the village communities in supporting farmers' economies. This study was conducted in Sardonoharjo, Ngaglik Sub-district, Sleman Regency, which is one of the villages that have BUMDes with an agricultural

business unit. The agricultural featured product of BUMDes is the *timun bayi* (baby cucumber)" commodity. For this reason, this study aimed to find out to what extent the role of BUMDe can contribute to improving the welfare of farmers in the village.

## **Literature Review**

### *Collaborative Governance in Farmer Economic Development*

The agricultural sector is still the main driver of the economy in D.I. Yogyakarta. The agricultural sector's contribution to Gross Domestic Income (GDP) ranks at the top compared to other industries (BPS Provinsi D.I. Yogyakarta, 2019). The magnitude of this contribution shows that economic development in the agricultural sector must be the main priority for economic development in Indonesia. So far, government intervention in the agricultural sector (especially food) has been very intensive. Even the planting process up to determining prices, including organizing farmer groups, is carried out entirely by the government. However, changes in the fate of farmers have not shown significant improvement. Therefore, village initiatives through their BUMDes efforts which make breakthroughs by collaborating with many parties need to get the support of all parties.

Collaborative governance carried out by many parties (BUMDes, farmer groups, village government) in advocating for farmers in Sardonoharjo Village is carried out in five stages. The five stages are (1) Face to Face Dialogue, (2) Trust Building, (3) Commitment to Process, (4) Shared Understanding, and (5) Intermediate outcome (Ansell & Gash, 2008). All collaborative governance is built on consensus in order to obtain mutually beneficial opportunities (Ansell & Gash, 2008).

### *Agricultural Structural Policy*

Structural policies in the agricultural sector are intended to improve the production structure, for example the size of land ownership, the introduction and exploitation of new agricultural equipment and the improvement of agricultural infrastructure in general, both physical and socio-economic infrastructure. This policy can only be implemented if there is good cooperation from several government institutions. This is due to the nature of farming which is not only an economic business unit but also a part of farmers' lives in all its aspects. Therefore, economic measures alone will not be able to encourage structural changes in the agricultural sector. The introduction of new technology through intensive education is an example of structural policy (Mubyarto, 1989).

### **Research Methods**

The method used in this study is a qualitative approach with descriptive analysis techniques. Data collection techniques were carried out by conducting in-depth interviews with key village figures, such as the village head, village secretary, Village Consultative Board (BPD), village farmer group (Gapoktan), BUMDes management, and community leaders. The interviews were also conducted with farmers, both those who joined BUMDes and those who did not. The purpose of the in-depth interviews was to obtain information about the extent of the role of BUMDes as one of the economic drivers of rural communities, particularly in the agricultural sector. Besides, the data collection was also performed by conducting field observations to observe village conditions as well as the secondary village data studies.

Data analysis was carried out by reducing data, presenting data, and making a conclusion. Data reduction was performed by summarizing the data, coding, tracing themes, and making data grouping (Miles, B. Mathew dan Huberman, 1992). Meanwhile,

the data were presented by grouping a set of activity information when the information was collected. The last step was to draw a conclusion (Moleong, 2007).

### **Results and Discussion**

#### *Affirming the Sense of Berdesa Tradition through BUMDes*

The Indonesian government has sustainably encouraged the establishment of BUMDes in every village as one of the village economic institutions and a key driver of rural communities' economy (Prabowo, 2014; Srirejeki, 2018; Zuhdiyaty, et.al., 2019). The main purpose of BUMDes is to drive the village's economic turnaround by optimizing its potential of the village. In addition to the economic benefits, BUMDes also has social and non-economic benefits by strengthening a sense of togetherness among villagers, strengthening cooperation, fostering a sense of pride in the residents towards their village, accommodating the entrepreneurial community in the village, and encouraging the growth of initiatives and movements to develop villages independently (Larasdiputra, et.al., 2019).

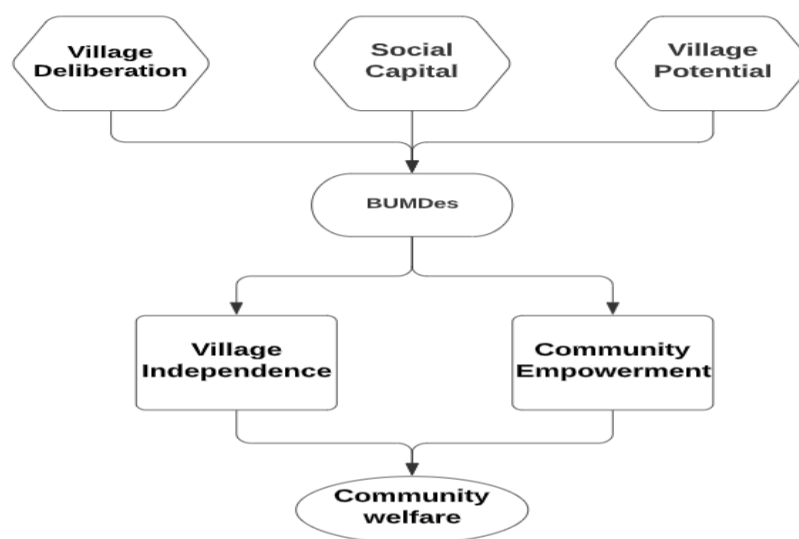
BUMDes is a new approach to improving the village economy based on the needs and potential of the village (Tarmidzi dan Arismiyati, 2018). For this reason, the management of BUMDes is fully implemented by the village community (Prasetyo, 2017). The presence of BUMDes in the village is a manifestation of the independence of a village because the village can capitalize on its assets and potential to increase village income and also bring prosperity to the community through the presence of BUMDes (Kurniawan, 2015).

The way BUMDes works, as what was found in Sardonoharjo, is carried out by accommodating the economic activities of the community in an institution or enterprise which has been managed professionally. This may make community businesses more productive

and effective. The direction of the goal and the grand vision confirm the concept of *Berdesa* tradition, which becomes one of the fundamental ideas in advocating the running of BUMDes (Putra, 2015). *Berdesa* tradition will be in line with the wealth of village social capital, economic capital, and political capital. As the wealth of capital is established, it is expected that BUMDes will have resistance to BUMDes sustainability (Putra, 2015).

The main idea of *Berdesa* (village) Tradition in establishing BUMDes is that: 1) BUMDes needs a social capital (cooperation, solidarity, trust, and communication) for enterprise development that reaches out to more inclusive social networks; 2) BUMDes develops in inclusive politics through the Village Deliberation (*Musyawahar Desa/Musdes*) mechanism as the highest forum for the development of village economic enterprises driven by BUMDes; and 3) BUMDes is a form of village economic enterprises that is collective between the village government and community. Collective village economic efforts performed by BUMDes have social business and economic business elements (Eko, et.al., 2014).

The spirit which must be fostered in the management of BUMDes is the spirit of kinship and cooperation (social capital). Social capital refers to a conceptual framework for understanding the theoretical orientation of social action by linking components from sociological and economic perspectives (Coleman, 1988). BUMDes is an enterprise which capital is the whole or most of the capital owned by the village through direct participation from the village wealth (Putra, 2015). Social capital is an important element that must be owned by the village in establishing BUMDes. Social capital is the most productive capital in achieving a common goal (Putnam, 1993). Social capital is a framework which covers aspects of social structure and facilitates people to do things within this framework. The BUMDes will grow through various channels through the existence of social capital, such as empowering social networks (Prayitno, 2020), capacity building, and training programs (Roxas & Azmat, 2014), and empowering women (Haugh & Talwar, 2016; Saadi, et.al., 2016). The *Berdesa* tradition is closely related to the establishment of its social capital. Therefore, the presence of social capital can easily move the economic dimensions which exist in society (Doh & Mcneely, 2012).



Source: Eko et al., 2014; Putnam, 1993; Putra, 2015; Doh & Mcneely, 2012

**Figure 1.** *Berdesa* Tradition in BUMDes Establishment

The cooperation between farmers and BUMDes must not prioritize profit-oriented but rather increasing benefits to the wider community, in this case, farmers. Such orientation must be embedded in the mind of village policy makers, thus the direction and purpose of establishing BUMDes are truly able to empower communities.

In the process of establishing BUMDes, community involvement is very important. The community must be positioned as both the subject and the object of the presence of BUMDes. The community has a very strategic role starting in this approach, from the preparation and planning stages of BUMDes, implementation of activities to follow-up activities of the BUMDes enterprises. Community involvement in the process of formulating BUMDes will make it easier to make agreements in promoting BUMDes in the future.

#### *BUMDes as a Potential Partner in Promoting Farmers' Economy*

BUMDes Bintang 18 of Sardonoarjo was established in January 2018. The name "Bintang 18" philosophically means that BUMDes Sardonoarjo comprises 18 stars representing 18 hamlets in the village. Its potential which can be used as a support for the establishment of BUMDes is the agricultural sector. The area of agricultural land in the form of rice fields and non-rice fields is 607,31 ha of the total village area of 938 ha (Badan Pusat Statistik Kabupaten Sleman, 2019).

The problems faced by the Sardonoarjo farmers based on problem screening in the Sardonoarjo Village Development Planning Consultation (Musrenbang) in 2018 are access to capital for farmers, an agricultural institutional capacity which has not been optimized, poor agribusiness management, post-harvest management capabilities, lack of marketing of agricultural products, unstable prices of production, very limited and unaffordable agricultural production

facilities and infrastructure for farmers, as well as problems with information networks on agricultural product markets which are not yet optimal.

Having provided with various problems faced by farmers, the village government then provided an advocacy for farmers by forming BUMDes, which specifically engaged in agricultural businesses. The village government's alignment with farmers is driven by the desire to create new optimism and hope for farmers, i.e., future prosperity that will be implemented through BUMDes.

BUMDes Bintang 18 encourages farmers to plant baby cucumber as a superior product. This is carried out under two considerations: 1) the high market demand for this commodity and 2) the agricultural product in the form of baby cucumber has a clear market with a daily production target of 1 ton. The selection of the baby cucumber plant is based on the fact that the plant has a high economic value with a low failure. In addition, this plant is also very suitable to be developed in Sardonoarjo Village where the majority of the population are farmers. In addition to encouraging farmers to plant baby cucumber, other enterprises run by BUMDes are mechanic agricultural equipment rent and organic fertilizer production.

The relationship between BUMDes and farmers is carried out through a cooperation contract system for one planting period. Several requirements for farmers who wish to cooperate with BUMDes are that they must have land, either their land or leased land. Through the contract system, the benefits obtained by farmers include capital assistance, production process assistance, and agricultural product marketing.

Capital assistance for farmers who collaborate with BUMDes in the form of production inputs includes fertilizers, seedlings, pesticides, and agricultural production support facilities with a total assistance per farmer of IDR 2,400,000/1,000 m<sup>2</sup>. The capital assistance package can be

used in whole or in part by farmers depending on the ownership of production equipment, fertilizers, or seedlings. The package must meet the agreed requirements made by BUMDes.

“Farmers are given with loan capital, such as seedlings, plastics, fertilizers, and so on, including pesticides. Then they can cultivate the fields. The loan is cut from their agricultural production, so there is an agreement. The agreement rules that in carrying out the program, the farmers must comply with BUMDes SOP and may not sell products other than the BUMDes provisions, and they can repay the loan” (HR, Sardonoharjo Village Head).

There are 30 farmers currently who have collaborated with BUMDes. Of the total farmers, not all of them have an area of 1,000 m<sup>2</sup>, but some farmers have a land area of 500 m<sup>2</sup>. For those who own half of the land area of the agreed rules, the amount of assistance packages they received is also half. In principle, each farmer may only apply for the assistance of a maximum of 1,000 m<sup>2</sup> of land. This is stated by one of the farmers as below.

“Capital assistance is different for each farmer, depending on the farmer’s needs, but we are provided with 500-square-meter and 1000-square-meter land. Thirty farmers are now collaborating with BUMDes and one farmer for one land only” (SM, BUMDes Bintang 18 administrator).

Based on the provisions of BUMDes, farmers’ loan repayments are made in installments for each harvest period so as not to burden the farmers. The BUMDes does not provide the amount limit of installment at each harvest period which must be paid by farmers but is left entirely to the farmers. However, in one planting period contract, all of the capital

assistance had been repaid. This is stated by one of the farmers, “There is no profit sharing. So, each harvest is sold to BUMDes, and the total amount will be counted later. BUMDes will ask if they can pay installment according to their ability, so there are a lot of extents” (AT, farmer/member of BUMDes Bintang 18).

Another benefit of joining BUMDes is to get capital assistance during the planting process. Farmers will get information and knowledge related to baby cucumber plants. The agricultural instructor is an employee from BUMDes whose job is to assist farmers if farmers face obstacles in the planting process. To simplify the production process carried out by the farmers, BUMDes made a breakthrough by making standard operating procedures (SOP) which farmers must obey, so they do not experience failure. during the planting period. The SOP contains information on how to plant, how to fertilize and administer pesticides, and how to do the plant treatment. The Chairman of BUMDes said as below.

“The BUMDes is currently facilitating agricultural production facilities, such as fertilizers and pesticides. We (the BUMDes administrators) facilitate, and then it is the farmers who cultivate the land, making the treatment, and the yields must be sold to all BUMDes and may not be sold to other parties. The reason is that BUMDes has a guaranteed supply. BUMDes does not set the fixed price but follows the market conditions. BUMDes also recruits agricultural assistants who must assist, advocate, and monitor farmers’ activities in collaboration with BUMDes. The assistants must fill out a monitoring form as the result of observing farmers’ activities which contains information, such as planting schedule, fertilization, and treatment.” (HY, Chairman of BUMDes Bintang 18).

The statement of the chairman of BUMDes was strengthened by the statement of one of the informants "... There is already the SOP and the assistance by Mr. Marsono as well. If the farmers follow the SOP, Insha Allah (God willing), it will work, but so far no one has ever failed to harvest" (WD, farmer/member of BUMDes Bintang 18).

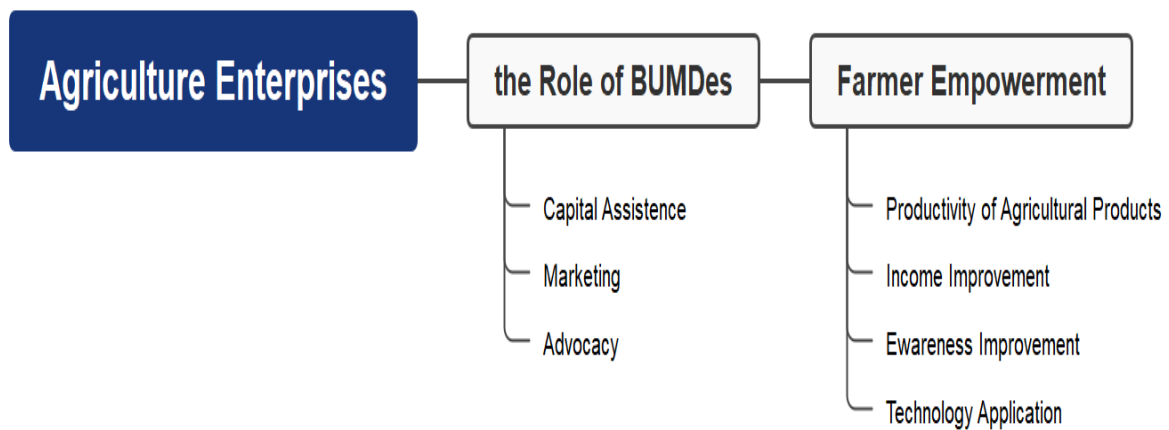
The strategy performed by BUMDes as an effort to market their superior products is to form collaboration or partnership with traders/collectors. Also, BUMDes recruits marketing staff in charge of marketing the baby cucumber. With the presence of marketing staff, farmers do not need to think about marketing problems because BUMDes will ensure to accommodate their yields to be later sold to the market (stocking point). Such method can reduce the "price game" carried out by the middlemen because the middlemen do not directly have contact with the farmers.

Middlemen will generally buy agricultural products in large quantities when the price of the commodity falls, while when the price goes down, they no longer buy it from farmers. Besides, many farmers have no bargaining power over the commodity they produce due to their ignorance of market information (price). However, by the presence of stocking points carried out by BUMDes, whatever the amount of baby cucumber produced by farmers is, it will be accepted by the market with competitive selling prices.

BUMDes also guarantees the quality of the products. This quality guarantee is stated in the contract with the farmers with the provision that each baby cucumber must weigh 60-75 grams. If the physical shape of the cucumber is too small, too big, or bent, it will be valued at half of the agreed price. The agreed price of cucumber is currently Rp 3,000/kg. The village head said, "To sell the yields to BUMDes, there are several requirements, so the length and weight of the cucumbers must be suitable to those determined by the BUMDes, otherwise the BUMDes will buy them at a low price" (HR, Head of Sardonoarjo). In one planting period, the net profit of farmers is around 4-6 million per month with 1000 m<sup>2</sup> of land. It has been deducted by a capital loan provided by BUMDes. If this is compared to other crops, the benefits that farmers get by planting this commodity are more profitable. The Head of Sardonoarjo Farmers said as below.

"... I think it's more profitable for baby cucumbers than other plants, but thank God, the risk of harvest failure for baby cucumbers is little, but if they are too big, they can be sold at a different price or cheaper." (HD, head of Sardonoarjo farmer). The statement is the same as another informant "Baby cucumbers are more profitable. This is just one harvest, maybe 3-4 harvests will only be lucky. I planted chilies at first, but the risk of disease is higher." (WDD, BUMDes Bintang 18 farmer).





Source: Primary Data

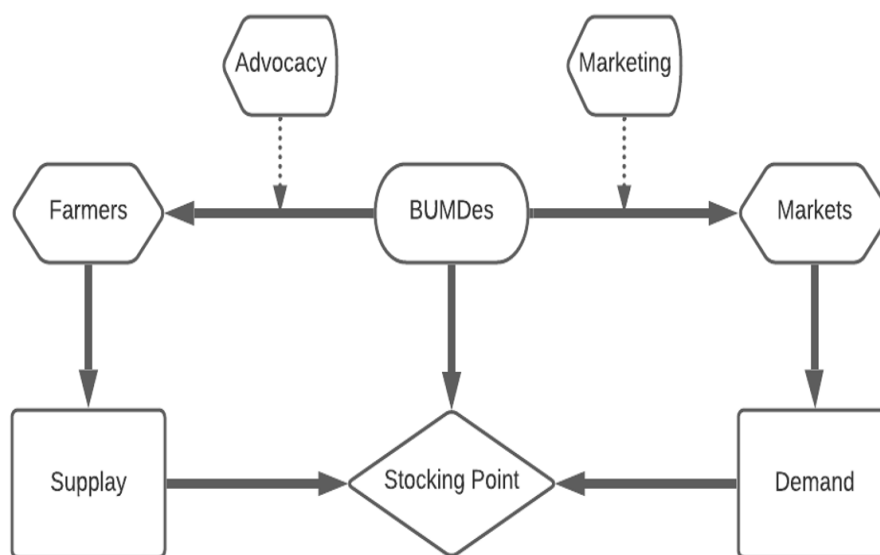
**Figure 2.** The Role of BUMDes in Improving Farmers' Economy

The management performed by BUMDes applies the concept of value chain management (VCM). The basic characteristic of the value chain is market-oriented cooperation, where different business units work together to produce and market products and services effectively and efficiently (Bank Indonesia, 2015). Farmers as the producers of agricultural commodities only need to think about how to produce good commodities with quality-oriented products, so they do not need to think about post-harvest marketing, whether it can be accepted by the market or not. With VCM management, BUMDes plays a crucial role in connecting producers and market players, including logistics management.

Such system requires strict market intervention in which the demand for commodities must match the supply. The occurrence of excess and shortage of products is an indication of market failure. Excess product results in a decrease in

product or commodity prices, while product shortages will have an impact on increasing prices. Therefore, the role of BUMDes as price controller must ensure the production capacity of farmers and the level of commodity needs of market actors. Therefore, there will be a balance between production and market needs. The value chain management in the agricultural sector is fundamentally designed to increase competitive advantage ((Bank Indonesia, 2015).

The purpose of BUMDes involvement in agricultural business in Sardonoarjo, such as providing capital assistance, advocating farmers so that they do not experience harvest failure, and ensuring marketing guarantees through stocking points, is to minimize any possible risk. With the VCM management approach, failure in one value chain will affect other chains and cause a total loss of all value chain processes (Wang, et.al., 2013).



Source: Primary Data

**Figure 3.** Business Value Chain of BUMDes Bintang 18

To minimize the failure, the synergy between all elements involved in the value chain is needed. The synergy can be formed in terms of human resources and mastery of technology so that the risks which may occur can be minimized from an early stage (Ritchie, Robert, Brindley, Clare S. and Armstrong, 2008). Besides, the role of intensive communication between all value chains must be well developed, thus problems in one value chain can be found out by others.

#### *The Role of BUMDes in Building Farmer Economic Institutions*

BUMDes as the main actor begins communication with farmers. This communication is carried out in an informal way. Usually, BUMDes come to farmers to negotiate sales and purchases. The negotiations carried out resulted in a consensus where the results were agreed upon by both parties with minimal losses. This is very different from the buying and selling activities carried out by farmers and middlemen. Usually, farmers do not get maximum profits. Middlemen, in carrying out buying and selling activities, have no concern

for the welfare of farmers. The middleman's concern is to only get goods as cheaply as possible in order to make as much profit as possible.

Communication carried out by BUMDes is also assisted by Gapoktan in the village. Several Gapoktan members recommended farmers to sell their products to BUMDes. This is due to the good relationship which Gapoktan and BUMDes have. Apart from that, Gapoktan understands the presence of BUMDes in the village. Meanwhile, communication between BUMDes and the market is carried out in a more formal way. MoUs and trade agreements are created as the legal basis for buying and selling agricultural products. Building collaboration with new partners must have obstacles. One of them is building trust. As explained by Ansell and Gash, a lack of trust between stakeholders is a common starting point for collaborative governance (Ansell & Gash, 2008).

BUMDes in building the trust of farmers cannot be separated from the help of Gapoktan in the village. In building trust, Gapoktan is quite an important supporting actor. Considering the existence of Gapoktan in the village, it is quite

respected not only by the farmers but also the wider community in the village. Meanwhile, in building trust with the market, BUMDes does not have any significant obstacles. This is because the Village Government is the official agency behind BUMDes. Apart from that, because BUMDes strives to be a credible and professional trading partner. After gaining the trust of the farmers. BUMDes' next task is to maintain this trust so that it does not fade in the future. As previously stated by Arianti and Satlita, building trust in forming collaboration is not an easy thing and needs to be done continuously (Arianti & Satlita, 2018).

The efforts made by BUMDes are to become consistent partners for farmers and markets. Making payments in cash and on time, in accordance with the agreed agreement, and distributing agricultural products in accordance with the agreed MoU is one of the practices for maintaining and even increasing trust if carried out continuously. Apart from that, guaranteeing market access that is always there for farmers is an effort to increase their trust. This guarantee creates a sense of security and comfort for farmers. Farmers are no longer confused when the harvest time arrives. Because farmers have confidence that their harvest will reach the BUMDes well. Trust can also be formed from the results of shared understanding. Ansell and Gash say that at some point in the collaboration process, stakeholders must develop a shared understanding of what they can collectively achieve together. Still in the same article, Ansell and Gash say that Shared understanding itself has many variations in the literature, namely, 'common mission', 'common ground', 'common purpose', 'common aims', 'common objectives', 'shared vision', 'shared ideology', 'clear goals', 'clear and strategic direction', and 'alignment of core values' (Ansell & Gash, 2008). The shared understanding that BUMDes strives for with farmers is to improve the welfare of village communities through economic development. Shared understanding with farmers is then translated into the practice of payments made

by BUMDes in cash and directly with maximum profits. On the part of the farmers themselves, they produce good quality and quantity of products which meet standards. The trust which has been built creates legitimacy. BUMDes as a new partner strives to be professional and as a regional institution which has a good shared understanding for the village community. Apart from that, the existing legitimacy has also given rise to a new spirit of economic development in the agricultural sector in the village.

This sense of trust creates a sense of interdependence. Ansell and Gash say that a high sense of interdependence among stakeholders is likely to increase commitment to collaboration (Ansell & Gash, 2008). This commitment will not only create sustainable trade relations but strengthen relations between the actors involved, specifically farmers, Bumdes and markets.

## **Conclusion**

This study confirms that after the enactment of the Act concerning Village, many villages have breakthroughs to make their villages independent by utilizing their potential and assets for the welfare of the community. At this rate, BUMDes has a crucial role as an economic enterprise which provides advocacy to the community on economic mechanisms which tend to be detrimental to rural communities in which most of them are engaged in agricultural enterprises.

The role of BUMDes, as what has been established in Sardonoharjo, can provide advocacy to farmers through agricultural capital loans and assistance. Also, BUMDes presents new market opportunities for agricultural product commodities which provide added value to farmers to increase the value of profits gets by the farmers compared to agricultural products that were initially planted by farmers.

With the existence of a market mechanism, BUMDes can be a bridge

between producers and consumers with a more balanced relationship. Its role is to be able to cut the long distribution chain of an agricultural product that has been detrimental to farmers. Therefore, BUMDes must be able to become a stocking point for commodities produced by farmers that can be directly accepted by the market.

The efforts made by BUMDes are a form of innovation in structuring and developing the agricultural economy in rural areas. The BUMDes Innovation Model is a new perspective process in increasing the added value of agricultural businesses. Even though the profit is very small, in terms of benefits it has positive implications for increasing farmers' livelihoods and economic welfare. The collaborative governance process in an effort to improve the welfare of farmers can run effectively and sustainably between the village government, BUMDes, farmer groups and the farmers themselves. Each party must actively initiate and drive the collaboration process well and must be able to prove that the parties have commitment, integrity and capacity. So that successful collaboration will easily achieve the expected goals. The success of collaboration built by the parties is largely determined by the existence of a transparent process, clear basic rules as agreed and implemented by the parties and based on the existence of trust between them.

### Recommendation

Most of the poor in rural areas have livelihoods as farmers, so the government needs to encourage agricultural revitalization and intensify farmer empowerment programs. develop BUMDes which have agricultural business units, optimize village assets, and village markets in order to accelerate the economic development of rural communities.

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