

IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE TO IMPROVE THE QUALITY OF HUMAN RESOURCES IN VILLAGE-OWNED ENTERPRISES (BUMDes)

Meida Rachmawati

Universitas Ngudi Waluyo, Indonesia

Email: meidaleanptsg@gmail.com

ABSTRACT

The implementation of Good Corporate Governance (GCG) in improving the quality of Human Resources in Village-Owned Enterprises (BUMDes) is an important effort to strengthen organizational integrity, accountability, and performance at the local level. Although faced with constraints such as limited resources and resistance to change, effective GCG implementation can improve the transparency, responsibility, and independence of BUMDes. Strategies such as establishing a clear code of conduct, regular training, and building an independent oversight mechanism are necessary to overcome such obstacles. Successful implementation of GCG can provide great benefits in improving the quality of human resources and performance of BUMDes, and contribute positively to the development and welfare of rural communities. Qualitative research methods will be used to understand stakeholders' experiences, perceptions, and attitudes regarding the implementation of GCG in improving human resources in BUMDes.

Keywords: Good Corporate Governance, Human Resources, Village Owned Enterprises

Introduction

The village government plays a crucial role in providing support for economic growth in Indonesia (Huda, 2015). So, in improving the economy in Indonesia, the first step that must be reviewed is economic growth in the village. Villages have a crucial position in improving the community's economy by implementing economic development plans. Therefore, they can provide opportunities for the community to develop businesses. In the village itself, there is a lot of potentials that can be developed, however, it is often not well developed (Melia, 2015).

Regional potential is the original resources owned by a region that can be developed and maximized. By giving priority to existing local potential, it will provide benefits to the quality of life of the community. Village governments can explore and empower village potentials, such as natural potential and the resources contained, as well as human resources. The potential of a village can be done by empowering the community. Natural resources and human resources are factors for carrying out sustainable economic development (Afandi, 2018).

The village is a self-government whose management is carried out autonomously without any structural hierarchical ties with higher structures. A village is a legal community

unit that has an original structure based on original rights that have a special nature. The village economy is a community environment that tries to fulfill the needs of daily life and what is available in the natural surroundings. In processing this potential, of course, the village is expected to be able to establish an economic institution that is fully managed by the village community. Economic institutions are one way to build the economic strength of village communities, for example, Village-Owned Enterprises (BUMDes) (Handoko, 2000).

BUMDes is a form of institution that can advance the economy of the village community. BUMDes are regulated in Article 87 of Law Number 6 of 2014 concerning Villages (Village Law) where in fulfilling the needs and potential that exist within the village, the village can establish BUMDes. BUMDes is an institution established by the village government whose capital ownership and management are carried out by the community and village government (Kurniawati, 2021). In establishing BUMDes, villages are obliged to hold village deliberations. The village meeting is an effort to determine the establishment of BUMDes and the BUMDes Articles of Association including capital participation. BUMDes is an institution built to explore village potential and fulfill the needs of village communities. BUMDes is a village government institution where the community is the owner of capital and capital manager. Of course, BUMDes activities cannot be separated from the various occurred problems. One example is the problem of inadequate and uneven distribution of human resources (HR). This problem can be minimized by implementing good business management by applying the principles of good corporate governance (Njatrijani et al., 2019).

The formation of BUMDes itself with HR problems must be by the 5 (five) principles of good corporate governance: transparency, accountability, responsibility, independence, and fairness. The principle of good corporate governance with the formation of BUMDes is carried out to make BUMDes an independent legal entity and prosperous village (Alfinur, 2016). In filling positions and managing BUMDES, community empowerment in terms of human resources is crucial. Village community empowerment is an effort to develop community independence and welfare by increasing knowledge, attitudes, skills, actions, competencies, and awareness and also utilizing resources through establishing policies, programs, activities, and assistance that follow the essence of the problems and priority needs of village communities. However, in reality, there are many problems where the existing resources lack competence and quality which has an impact on the development and improvement of BUMDes under the principles of good corporate governance (Aprianingsih & Yushita, 2016).

Good implementation of good corporate governance can minimize bad credit, and empower human resources or bank financing risks. The principles of good corporate governance can control existing problems (Hasibuan, 2003). Human resources are the potential competencies possessed by humans which consist of the competence to think, communicate, take action, and have morals so that they can carry out activities that have a technical or managerial nature. The problem in BUMDes is the inadequacy and incompetence of human resources in BUMDes. Good human resources for an organization or corporation are competent resources in carrying out their duties and responsibilities (Murwadji et al., 2017).

This problem is not in line with one of the principles of good corporate governance, namely the principle of accountability. Accountability is an explanation of the function,

implementation, and responsibility of management of an organization or corporation with the aim of managing the organization or corporation to run effectively. Accountability means individual responsibility for performance in organizational units within a corporation. The practice of good corporate governance principles is the basis for improving company performance, namely financial and non-financial performance. So, the application of the principles of good corporate governance has obstacles or constraints that need to be corrected in order to improve the human resources of BUMDEs so that they can achieve sustainable economic efforts. Moreover, a strategy for implementing good corporate governance is needed to improve human resources in BUMDEs which can advance and improve the economy of local village communities.

Research Method

In this research, qualitative research methods will be used to understand in depth the experiences, perceptions, and attitudes of stakeholders related to the implementation of GCG in improving human resources in BUMDEs. A qualitative approach allows researchers to explore the complexity of the social, cultural, and organizational context involving BUMDEs, with an emphasis on in-depth analysis of descriptive and interpretive data. This research will involve in-depth interviews with various related parties, including BUMDEs administrators, members of the HR management team, as well as representatives from regional government and local communities. Apart from that, document analysis and participatory observation will also be carried out to obtain a holistic understanding of the dynamics of GCG implementation and its impact on the quality of human resources and the performance of BUMDEs.

Result And Discussion

Challenges Faced in Implementing Good Corporate Governance in HR Development in BUMDEs

The implementation of Good Corporate Governance to improve the quality of Human Resources (HR) and the performance of Village-Owned Enterprises (BUMDEs) marks a significant paradigm shift in organizational management at the village level. The human resource problem in BUMDEs is inadequate which has a major impact on achieving development and sustainability goals at the village level. One of the main problems is the lack of qualifications and skills needed to manage BUMDEs effectively. Many employees at BUMDEs do not have formal education or adequate training in the fields of management, finance, marketing, or business development, which can hinder their ability to manage BUMDEs activities efficiently and optimize their business potential. Apart from that, a lack of understanding of the concepts of good governance and modern management practices can also lead to a lack of transparency, accountability, and participation in decision-making and resource management in BUMDEs. This condition can lead to ineffective decision-making, inappropriate resource allocation, and a lack of development of sustainable initiatives. As a result, the performance and sustainability of BUMDEs can be hampered, and their potential contribution to local development and community welfare can be limited.

The implementation of Good Corporate Governance is a framework for managing human resources in BUMDEs which has various challenges which include:

a. Limited financial and technical resources

In BUMDes, there are challenges in implementing GCG in human resource development, namely limited financial resources. BUMDes often operate with limited budgets, which may not be sufficient to support comprehensive GCG initiatives. Effective HR development requires investment in training, career development, and incentives for employees, but this is often difficult when financial resources are limited.

Apart from financial limitations, limited infrastructure and technical resources are also obstacles to implementing GCG in BUMDes. Inadequate infrastructure, such as limited access to information and communication technology, can hamper the communication and coordination process between management, employees, and other stakeholders. Lack of access to training and technical resources can also hinder BUMDes' ability to implement an effective HR management system.

b. Lack of understanding and awareness

The level of understanding of the concepts and principles of Good Corporate Governance (GCG) among management, employees, and other stakeholders in Village-Owned Enterprises (BUMDes) is often a major concern in efforts to increase management effectiveness. In many cases, there is a gap in understanding what GCG actually is and how its principles should be applied. BUMDes administrators may have a better understanding of GCG due to their responsibilities in managing the organization, but employees and other stakeholders may have a limited or even incorrect understanding of this concept.

A lack of understanding of GCG can result in non-transparent, unaccountable, and unsustainable management practices in BUMDes. For example, decisions taken inconsistently with GCG principles can lead to unfairness in the treatment of employees, inefficient use of resources, or even abuse of power. In the context of Human Resources (HR) development, a lack of understanding of GCG can also lead to non-objective recruitment policies, a lack of employee training and development, as well as a lack of effective reward and supervision mechanisms.

c. Lack of level of participation and involvement of community members

Lack of community participation can be a serious obstacle in implementing GCG in BUMDes. When community members are not actively involved in the decision-making and monitoring process, the risk of ambiguity, abuse of power and corrupt practices is higher. Apart from that, a lack of community participation can also lead to a low sense of ownership of BUMDes, which in turn can hinder efforts to improve the quality of human resources.

The impact of a lack of community participation can be felt in various aspects. First, the decisions taken may not reflect the true needs and interests of all community members, thereby affecting the effectiveness of programs and policies implemented by BUMDes. Second, a lack of supervision from the community can open up opportunities for unethical or unlawful practices in HR management, such as nepotism or discrimination.

d. Barriers in cultural and traditional aspects

Cultural and traditional aspects are often important factors that influence the implementation of Good Corporate Governance (GCG) in Village-Owned Enterprises (BUMDes). Local cultural values and traditions can become obstacles in implementing

GCG principles which may be considered contrary to established norms and practices in village communities. For example, in a highly hierarchical village culture, transparency and participation may not always be considered core values. Additionally, local customs and value systems may result in different views of responsibility, fairness and accountability that may not be aligned with universally recognized GCG principles.

e. Barriers to social change

Social and political changes at the local level have the potential to become significant obstacles in the implementation of Good Corporate Governance (GCG) in the development of Human Resources (HR) in Village-Owned Enterprises (BUMDes). When changes occur in political and social dynamics, this can affect the stability and consistency of GCG implementation in BUMDes. For example, changes in leadership or changes in local government policy can cause uncertainty and changes in development priorities, which in turn can disrupt the process of implementing GCG principles. In addition, political or social conflicts at the local level can also divert attention and resources from efforts to implement GCG well.

The Impact of Implementing Good Corporate Governance on Improving Human Resource Quality in BUMDes Performance

Implementation of Good Corporate Governance (GCG) in BUMDes has a significant impact on improving the quality of Human Resources (HR) and overall organizational performance. One of the key aspects of implementing GCG is increasing transparency and accountability in the HR management process. By ensuring that policies, procedures, and decisions related to HR in BUMDes can be accessed and well understood by all relevant parties, BUMDes can build greater trust and involvement from members and stakeholders. Greater transparency can also help reduce nepotism and corruption practices that can harm human resource development and organizational performance. In addition, increased accountability in HR management can encourage BUMDes leaders to make more appropriate and responsible decisions, as well as provide constructive feedback to team members to improve their performance.

The implementation of GCG, especially transparency and accountability, has a significant impact on HR management in BUMDes. Transparency in BUMDes refers to the availability of clear and open information about policies, procedures, and decisions related to HR to all related parties, including village community members and other stakeholders. Meanwhile, accountability emphasizes clear and responsible responsibilities in managing human resources and implementing fair and consistent decisions. Increasing transparency in the recruitment process at BUMDes can ensure that recruitment decisions are carried out objectively and fairly. By openly publishing selection criteria and recruitment procedures, BUMDes can guarantee that every individual has an equal opportunity to obtain certain positions or responsibilities based on their qualifications and competencies, not personal connections or nepotism.

In addition, transparency in performance appraisals provides a strong basis for evaluating individual contributions and achievements objectively. By providing clear and measurable parameters for assessing performance, BUMDes can motivate team members to

improve their performance and identify areas where they can develop further. In addition, openly disclosing performance evaluation results can help strengthen trust and communication between management and employees, which in turn can improve the quality of working relationships and motivation.

Implementation of GCG in BUMDes is not only related to formal aspects of management but is also closely related to the development of a healthy organizational culture. Through the application of GCG principles, BUMDes can encourage the formation of an organizational culture oriented towards integrity, ethics, and professionalism. GCG emphasizes the importance of integrity and ethics in all aspects of BUMDes operations. By upholding these values, BUMDes builds a strong foundation for an organizational culture of integrity, where team members are expected to act honestly, fairly, and responsibly in every interaction and decision they make. This not only creates a more transparent and trustworthy work environment but also strengthens trust between team members, administrators, and external stakeholders.

Furthermore, orientation towards professionalism is an important aspect of organizational culture pursued by BUMDes that implement GCG. By setting high-performance standards and rewarding competence and dedication, BUMDes motivates team members to continuously improve the quality of their work. This creates an environment where HR feels valued and recognized for their contributions, thereby increasing their motivation and involvement in achieving organizational goals.

The impact of a healthy organizational culture is very significant on the motivation, involvement and productivity of human resources in BUMDes. When team members feel that values such as integrity, ethics, and professionalism are valued and consistently implemented, they tend to be more motivated to give their best in their work. In addition, their involvement in the decision-making process and implementation of organizational strategies also increases, because they feel that their contributions are valued and heard. As a result, the overall productivity of BUMDes increases because a supportive, collaborative and enthusiastic work environment is created.

The implementation of GCG helps in establishing a fair and consistent reward and sanction system for HR in BUMDes. With GCG principles that prioritize transparency, accountability and fairness, BUMDes can develop clear and objective guidelines for rewarding team members who excel and impose sanctions for ethical violations or poor performance. For example, by ensuring that reward and sanction criteria are based on measurable and verifiable performance, BUMDes can minimize the potential for arbitrariness or favoritism in the process.

The impact of an appropriate reward and sanction system can be very significant for motivation, work ethic and the application of discipline in BUMDes. When team members feel that rewards are given fairly and consistently according to their contributions, this can increase their motivation to deliver the best results. In addition, a clear and consistent sanctions system can be an effective tool to encourage compliance with BUMDes policies and procedures, as well as promote a disciplined and responsible work culture.

Apart from influencing motivation and work ethic, implementing an appropriate reward and sanction system can also have a positive impact on the quality of performance

and sustainability of BUMDes as a whole. By encouraging and maintaining high standards of performance through appropriate rewards and applying proportional sanctions, BUMDes can ensure that team members continue to work to achieve organizational goals effectively and efficiently. This can also help build BUMDes' reputation as a professional, transparent and integrity entity in the eyes of the community and other stakeholders. As a result, an appropriate reward and sanction system is an important tool in efforts to improve the quality of human resources and the overall performance of BUMDes.

Appropriate Strategy in Implementing Good Corporate Governance to Improve Human Resource Quality for BUMDes Performance

Given the various obstacles and impacts that occur in the quality of human resources in BUMDes, it is necessary to implement Good Corporate Governance (GCG), which of course must develop the principles of transparency, accountability, responsibility, independence, and fairness. GCG is a set of principles, practices, and procedures that aim to manage and direct an organization in a transparent, accountable, and responsible manner while taking into account the interests of all stakeholders. In BUMDes, the implementation of GCG is crucial because it provides a framework that ensures good governance and integrity. The quality of human resources in BUMDes is very important because they are the key to success in implementing GCG principles. Quality human resources will be able to implement GCG principles well, manage risks, optimize resources, and improve overall performance, which in turn will contribute to the development and sustainability of BUMDes and the welfare of village communities.

The principle of transparency in HR management in BUMDes involves providing clear, open, and easily accessible information related to the HR recruitment, development, and evaluation process. It includes openly publishing recruitment criteria and procedures, providing open feedback to employees about their performance, and implementing a transparent and objective performance evaluation process. Strategies to increase transparency in communication and decision-making related to HR in BUMDes include creating policies that prioritize transparency, providing open access to relevant information to all members of the organization, and encouraging participation and feedback from employees in the decision-making process related to HR. Thus, the principle of transparency can be applied effectively to ensure integrity, accountability, and fairness in HR management in BUMDes.

In the context of HR management in BUMDes, the application of accountability and responsibility can be realized through various steps. BUMDes can introduce a clear and measurable process for setting responsibilities and performance targets for each individual and team. This can include creating detailed job descriptions, setting measurable KPIs (Key Performance Indicators), and training to ensure a clear understanding of the tasks at hand. In addition, BUMDes needs to encourage a work culture that respects individual and team responsibility for achieving organizational goals by providing awards or incentives for the achievements produced and conducting regular performance evaluations to evaluate the level of performance and commitment to the responsibilities that have been determined. Thus, through this approach, BUMDes can ensure that accountability and responsibility are effectively integrated into HR management, which in turn will support the achievement of goals and improve the overall performance of the organization.

Independence in decision-making regarding HR in BUMDes is a key element to ensure fairness and transparency in the management process. In the context of performance evaluation, promotion, and conflict of interest management, the measures implemented must ensure that decisions are made objectively, without any pressure or undue influence. The principle of fairness is also important in HR management, which ensures that each individual is treated fairly and proportionally according to their contribution. To achieve this, it is important to avoid bias and promote an environment where fairness and fairness are a top priority in every decision taken.

As part of the GCG implementation strategy to improve the quality of human resources in BUMDes, a concrete action plan could include steps such as preparing a clear code of ethics for HR, regular training on GCG principles for all BUMDes members, establishing a committee or independent monitoring mechanism to ensure compliance with GCG principles, and development of a competency and ethics-based performance evaluation system. To measure the effectiveness of GCG implementation, evaluation steps can include employee satisfaction surveys, analysis of BUMDes performance data before and after GCG implementation, as well as the use of specific performance indicators related to GCG principles such as the level of transparency, level of compliance, and level of accountability. Through this effort, it is hoped that BUMDes can improve both the quality of human resources and their overall performance, providing greater benefits for village communities.

Conclusion

The implementation of Good Corporate Governance (GCG) in improving the quality of Human Resources (HR) in Village-Owned Enterprises (BUMDes) is not without challenges. Various obstacles such as limited resources, lack of understanding of GCG, and resistance to change can hinder this process. However, the impact of effective GCG implementation is very significant, especially in improving the integrity, accountability, and overall performance of BUMDes. Appropriate strategies, such as preparing a clear code of ethics, regular training, establishing an independent monitoring mechanism, and comprehensive performance evaluation, can help overcome these obstacles and ensure that GCG implementation provides maximum benefits in improving the quality of human resources and the overall performance of BUMDes, as well as providing a significant positive impact on the development and welfare of village communities. With a strong commitment and structured approach, BUMDes can become a more professional, transparent, and efficient institution in providing services and benefits to local communities, creating a more inclusive and sustainable ecosystem for village development.

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