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## **INNOVATIONS OF VILLAGE ASSET MANAGEMENT: A CASE OF THE BEST INDONESIAN VILLAGE**

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### **Abstract**

The purpose of this paper is to analyze Innovation Patterns in Utilizing Village Assets. The data collections were conducted by interviewing three village asset managers and implementing field observation on the research object. The study suggested that innovative asset management implemented in Panggungharjo successfully provided fundamental contributions to its community. The village assets have been successfully managed to increase the community's earnings by creating innovative businesses such as technology-based business innovations and using exceptional business processes. This study was conducted in the Indonesian background. Nonetheless, the study results may not apply to village asset management in other countries, particularly the Western ones. At last, these findings are likely to have substantial implications for village asset managers from other villages in designing and implementing how to maximize village asset utilization for the benefit of the village community.

**Keyword:** Village, Asset Management, Innovation, Community

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## INTRODUCTION

Policymakers, public sector managers, and employees agreed to increase innovation in their public services. That addresses the challenges of public service delivery in terms of efficiency and budget savings (de Vries, Bekkers, and Tummers 2016; Lindsay, 2018) as well as maintaining high levels of welfare services and helping to address economic and social challenges facing the public sector (Borin, 2001; Koch and Hauknes, 2005; Eggres and Singh, 2009). Successful innovation is the creation and implementation of new processes, products, services, and delivery methods, resulting in significant improvements in outcomes, efficiency, effectiveness, or quality (Albury, 2005).

One form of policy makers' support for village innovation in Indonesia is the issuance of Law Number 6 of 2014 regarding Village that gives the village authority to regulate and manage government affairs and the interests of its people independently. One of the objectives of village governance is to encourage village communities' initiatives, movements, and participation to develop village assets for the common welfare (Law 6/2014). Optimizing the use of village assets is one of the priorities of development and empowerment of rural communities, increasing original village income (Natalia, 2017) and playing a role in sustaining and mobilizing community livelihoods (Anwar, 2018). Optimizing the use of village assets is necessary to have good village asset management.

Village asset management practices have been carried out according to applicable regulations, but the implementation of its utilization has not been going well (Sutaryo, 2016; Risnawati, 2017). Village treasury land management is used more for the interests of the village head and village apparatus instead of the village apparatus income and less for the interests of the village community (Permatasari, 2013).

Unlike the condition of village asset land use in general, the utilization of village asset land in Panggungharjo village, Sewon District, Bantul Regency, Yogyakarta can be considered innovative. As one of the best villages in Indonesia, Panggungharjo utilizes village assets land in developing the economy with a community asset-based development concept approach (Nurjaman, 2018). This innovation in the use of village assets land has led Panggungharjo to get an international award from the 2019 ASEAN Leadership Award in Myanmar for contributing to rural development and poverty alleviation. Innovations made by the village government of Panggungharjo can be a benchmark for optimizing the utilization of village assets.

The village assets land of Panggungharjo are utilized for domestic waste management processes, the production of diesel fuel substitutes from used oil, the production of *tamanu* oils/*nyamplung* oil – a vegetable oil from *nyamplung* fruit seeds, the development of village tourism services, and the production of rice commodities as complementary products for the village's tourism business service. Innovations related to the use of village assets have become the domain of research

conducted. Previous research had been carried out by Nurjaman (2018) regarding the opportunities provided by the village law, village leadership, the strategy of the Village Owned Enterprises (VOEs) as an instrument of driving the village economy. However, this research has not identified innovation patterns related to the use of village assets. Therefore, we aim to fill in the gap to identify patterns of innovation related to the utilization of village assets, particularly in Panggungharjo. The results of this study can contribute practically to other village governments and policymakers in the use of village assets.

The rest of this paper is organized as follows; the second section reviews the literature addressing the definition of innovation and asset management. The third section explains the research methodology used and how the data were collected. The result of the research is presented in the fourth section. The fifth section explains the conclusion and the implications of the finding. The final section provides the limitation of this research and a suggestion for future research.

## **LITERATURE REVIEW**

Innovation is a concept that Joseph Schumpeter introduced in 1934. Innovation is a final element of organizational change (Robbins, 2012; Griffin, 2012). It is the synergized effort of an organization to develop new products or services or new uses for existing products or services. Innovation started from creativity. Creativity refers to uniquely combining ideas or making unusual associations between ideas. A creative organization develops unique ways of working or novel solutions to problems. Hence, creativity by itself is not enough. The outcomes of the creative process need to be turned into valuable products or work methods, which is defined as innovation (Robbins, 2012). Innovation is crucial because, without new products or services, any organization will fall behind its competition or create customer satisfaction. Innovation is the key to sustainable success.

Governments around the world promote innovation as a critical tool to improve public services. Financial pressures and bureaucratic controls, along with the demands for better services, make innovation difficult but also necessary as the only practical way to approach citizens and respond to their requests (Robertson and Ball, 2002). Finally, encouraging innovation in public service delivery can create innovative governance (Tahir, 2016).

As the smallest government, the village government must also promote innovation in their every activity. One of the much-needed innovations is innovation in managing village assets. The Village law (Law 6/2014) stated that village assets belong to the village that originates from the village's original wealth are bought or obtained at the expense of the Village Budget and other legal rights. Village assets can be in the form of village treasury land, customary land, village markets, animal markets, boat moorings, village buildings, fish auctions, agricultural product auctions, village forests, village springs, public baths, and other village assets. Regarding the management of village assets, it is further regulated in Regulation of

the Minister of Internal Affairs No. 1 of 2016. Village asset management is a series of planning, procurement, use, utilization, security, maintenance, deletion, alienation, administration, reporting, appraisal, guidance, supervision, and control of village assets. Village asset management is based on functional principles, legal certainty, transparency and openness, efficiency, accountability, and value certainty.

Village assets can be utilized as long as they are not utilized directly to support village governance. Forms of use include rent, borrow and use, cooperation in utilization, built-operate-transfer, or built-transfer-operate. Utilization of village assets is stipulated in Village Regulation.

Utilization of assets in a lease does not change ownership status, and the maximum term is three years but can be extended. Utilization of assets in the form of loan-use/lease is carried out between the village government and other village governments and village community organizations. Leasing is excluded for land, buildings, and movable assets in the form of motorized vehicles. Collaborative use of land or buildings with other parties is carried out to optimize the effectiveness and effectiveness and increase village income. Collaboration on the use of village assets in land and buildings with other parties can be carried out if there are not enough funds available in the Village Revenue and Expenditure Budget. That collaboration covers the operational, maintenance, and repair costs needed for the land and building. However, other parties are prohibited from lending or mortgaging village assets which is the object of the utilization cooperation.

## **RESEARCH METHODS**

The data collections were conducted by interviewing three village asset managers and implementing field observation on the research object. All the participants are the key person of asset management in Panggungharjo village. Interviews were conducted with the village head of Panggungharjo, the Manager of the Village-Owned Enterprises, and the treasurer of the Village-Owned Enterprises. In addition, observations were made to elaborate on more exciting findings.

## **FINDING AND DISCUSSIONS**

### **A. Profile of Desa Panggungharjo**

The Village of Panggungharjo consists of 14 hamlets divided into 118 household units that inhabit 560,966.5 hectares. Panggungharjo Village combines three villages, namely Cabeyan Village, Prancak Village, and Krapyak Village. Panggungharjo Village is one of the villages in Bantul Regency, directly bordered by the city of Yogyakarta, the capital city of the Special Region of Yogyakarta. Yogyakarta City borders the northern part of Panggungharjo village; the eastern part is Bangunharjo Village, Sewon District; the southern part is Timbulharjo Village, Sewon District; the western part is Pendowoharjo Village Sewon District and Tirtanirmolo Village Kasihan District.

As an area directly adjacent to the Yogyakarta urban area, Panggungharjo Village is an urban agglomeration area of Yogyakarta, a strategic economic area. As a result of the development of this strategic economic area is the development of land use. In the last five years, the pattern of land use in the village of Panggungharjo has experienced a significant change. The type of land has changed its function to become a settlement and business activity at around 2% per year.

Based on aggregate population data in 2018, the population of Panggungharjo Village was 28,141 people, consisting of 14,140 male inhabitants and 14,001 female residents. When compared with the population in 2017, there was a population growth of 1.89%. Population character is more characteristic of urban society because the income source of the population is no longer supported by the agricultural sector but is more dominated by the service and trade sectors. Poverty in this village characterizes the urban poor characterized by homeless, landless, and jobless conditions. This condition of poverty is a special concern for the Village Government, which should be alleviated through the use of village assets.

**B. Profile of Asset Utilization**

Panggungharjo Village is one of the leading villages in utilizing village assets. Panggungharjo village assets are used for several types of businesses, including domestic waste processing, the production of substitute diesel fuel from used oil, the production of tamanu oils/nyamplung oil, the development of village tourism services, and the production of rice commodities as complementary products for the village tourism business. The Village Owned Enterprises manage all utilization of village assets. Utilization of assets in 2017 generated Village Original Income of Rp 1,453,977,200 or contributed around 30% of total village income.

**Table 1:** Utilization of Panggungharjo Village Assets

Type of business	Form of Asset Utilization
Local Waste Management	Economic waste sorting
Production of diesel fuel substitutes	Processing used cooking oil / used cooking oil with diesel fuel substitute.
<i>Tamanu</i> Oils Production	Production of <i>Tamanu</i> Oils/ <i>nyamplung</i> oil as a raw material for cosmetics and medical stuff.
Village tourism services	a village tourism concept restaurant called " <i>Kampoeng Matraman</i> "
Rice Production	Rice production under the brand name "Bestari" in the <i>Mataram</i> -era village environment, as a supporting unit for tourism service businesses.

*Source: processed from interviews*

### **C. Analysis of Innovation Patterns in Utilizing Village Assets**

The land assets of the village of Panggungharjo are not coming from natural resources. Unlike other villages that have village assets with abundant natural resources. The lack of value of village assets is not a reason to discourage steps from exploring the potential of these assets for the welfare of village communities. Informant 1, Head of the village of Panggungharjo said:

*"If we do not have a landscape, then (we have to focus on) the life-scape. The social-scape, about culture, about economics, about technology, merely needs to be highly-utilized."*

The statement of the village head is a motivation for village asset managers to be creative in producing innovative products or services. Not only relying on the natural wealth contained in village assets but also how to do innovative businesses to benefit through existing village assets by paying attention to what business is appropriate to run. The initial form of innovation is to determine good business in utilizing village assets. Informant 2, as the manager of village assets, said:

*"What needs to be considered is how to start the Village-owned enterprise business focus; when we decided to build the wrong business unit, the business will be finished. Therefore, it must be very observant on how to choose a business unit. Therefore it needs to conduct a study before the establishment of the business. Next, we have to make a business plan, complete the business analysis."*

Regarding the community's characteristics in Panggungharjo village that resembles the character of urban communities, asset utilization businesses tend to provide services. Informant 3 said:

*"The business is more into services-based because there are five campuses around here, mostly for its citizens who set up boarding houses and restaurants. Laundry business too, so many services that can be explored."*

Next, we will identify the forms of innovation found in each business unit that effectively utilizes village assets.

#### **1. Domestic Waste Management**

Waste management was established in 2013, starting with concern over increasingly worrisome environmental conditions. This domestic waste management is managed by the "KUPAS", a business unit that stands for Waste Management Business Group. The establishment of KUPAS by carrying the slogan "Caring Waste for the Future of Our Children and Grandchildren" means bringing together the strengths

of the village community with a caring orientation to the future of children. That is an affirmation of the commitment of the Panggungharjo Village Government to the community of Panggungharjo Village with its great potential through waste management which has become a classic problem in the Panggungharjo Village area.

This asset utilization innovation captures business opportunities that meet the livelihoods of the people. As long as the community needs it, we can take advantage of the effort. Informant 2 stated that:

*“The business unit that controls the basic human life, garbage, as long as humans (it is unclear) how much additional human will produce waste, he will need forever related to waste management and processing, it becomes a basic human need.”*

The revenue generated from waste management consists of three sources, firstly the income from retribution, secondly, the income from the sale of waste that still has economic value, and thirdly from making organic fertilizer. Village assets are used as a waste sorting process that still has economic value, such as plastic bottles. In addition, village assets are also used to process organic waste that can produce organic fertilizer. These organic fertilizers are marketed to plant traders and primarily to help healthy rice production business units.

When viewed from the perspective of the Habitability concept, the domestic waste management program is included in the elements of social-cultural and psychological aspects, which relate to people and their activities that affect the quality of a living environment. In socio-cultural aspects, the social needs of the people are a prerequisite in habitability (Meng, 2006). Finally, it can be said that this innovation is beneficial for public services.

## **2. Production of Solar Substitute Fuels**

The processing of used cooking oil / used cooking oil with diesel fuel results is an innovation from Informant 1 that has been researching for two years. Informant 3 said that:

*“The business of managing used cooking oil is also coming from Wahyudi’s contribution himself, who researched for years. The used cooking oil is only filtered, and the results are sent to the AQUA factory to fuel the factory as much as 10 tons per month. The results of this used fried oil processing are used as a substitute for fuel, 20% using used cooking oil, 80% is diesel fuel. Moreover, those who did the research were Wahyudi. The equipment in the box is all the initial bottles used by Wahyudi to conduct research. Suppose he researches returning to college. So, he likes to do research.”*

The source of used cooking oil comes from collectors who have collaborated with the manager of this business unit. Informant 3 said that:

*“So, we have collectors who deposit to us. Because if we look for it from the household, it will be difficult and time-consuming to collect. We work with collectors, and collectors usually take it in catering, large restaurants, hotels, something like that. Sometimes there are VOEs around Jogja that we always offer cooperation as collectors of used cooking oil.”*

### **3. Tamanu Oils production**

Village assets are used as a production location for Tamanu Oils / nyamplung oil. Tamanu Oils is a raw material for making cosmetics and medical drugs. The production process of Tamanu oils uses appropriate technology to utilize the fruit called *Nyamplung* waste that is on the southern coast of Java.

### **4. Village Tourism Services**

Village tourism services in the village of Panggungharjo take advantage of the village's assets by establishing "Mataram village", a restaurant with a village tourism concept. The innovation presented in the Mataraman village presents the atmosphere of the life of the people of the Mataram Islamic era. Description of innovation explained by Informant 2:

*"All forms of creativity are there, but when creativity is formed, no innovation will die. There is not the natural landscape that we are prioritizing, but education, so we have the Mataram village by the concept. We want to turn on, bring back the life of the era of the 19th time, the triumph of Islamic Mataram. We present an agrarian society that still uses buffalo for plowing. It became exciting and became a business opportunity. Jogja is a tourist destination, and tourists are returning, wanting to remember back to the life of his grandfather or his childhood, that is what they will tell his grandchildren, long time ago we were like this, seeing the shape of his house just remembered, the shape of the limasan house, seeing people wearing traditional clothes, using trousers to go to rice fields, to the market, using a headband. So that when we get there, already, that is innovation, we are aware, creativity if there is no innovation will die, so the innovations that we are doing now are adjusted to the desires of tourists or the community towards village life, again need a selfie, yes we prepare, there is a bridge from bamboo yes there is no connection. It cannot be bent, it becomes a question, the curved shape is confused, yes the bamboo is curved without a connection, we can see there is no connection, the archway is also curved, it can bend, the curved bridge is unbroken, it is an innovation that makes something, people Yes, we provide selfies, the culture of eating alone is different now, before eating it was praying. However, it is*

*innovation before eating, taking a picture, and uploading, so the Mataraman village is different from other food stalls because there is a concept. In Mataraman Village, non-MSG, non-MSG food is sold there, and the rice is also healthy, so that makes a difference. Because we are different from the others, the segments are different, right. The prices are affordable, the food served is healthy. In the past, Mataram was free from MSG."*

The initial idea for establishing of the Mataraman village began with a problem that had arisen since Panggungharjo village became a pilot village for other village governments. The consequence of becoming a pilot village is that it often receives visits from other village governments nationwide. Informant 3 said:

*"If there are visiting guests at the village hall, because our schedule is indeed a lot, I only receive three visits a day. Many visitors from outside the area cause the village hall filled by traders who sell like the incidental market."*

Due to being overwhelmed by visits, it will be transferred to mataraman village when there is a visit from outsiders. There was also a team there that facilitated the visit. The effect is that if the visit would interfere with services to residents and drain the Panggungharjo village budget, now the citizens' service is prioritized, and guests will bring income to the village of Panggungharjo, because guests will spend money to get the facilities. Informant 3 says:

*"Because it is we who take care of guest visits like that. At first, the one managing it was a village, but there were so many requests for a visit. Moreover, Pak Yudi is like, "This village takes care of guests, not taking care of citizens". Then finally at VOEs, right? We also contribute, especially if there are many like that. We provide snacks, consumption, and hospitality. So, after that, we make it a business opportunity."*

## **5. Rice Production**

The use of village assets is then the usage of land to produce healthy rice. In addition, healthy rice production in the mataram village environment, as a supporting unit for the Mataraman village tourism service business. Informant 3 said:

*"We used to have healthy rice. That is the rice field in Matraman village. That is the village treasury and crooked. We rent crooked land per year of 20 million. In total, there are 6 hectares we use about 3 hectares we plant."*

The innovation in utilizing village assets is the production of healthy rice. Rice produced is rice with quality and price that is more attractive than conventional rice. Informant 2 said:

*"We do not call this organic rice, but we call it healthy because if it is organic, we have to go through water management. If in Panggungharjo it is wastewater, it requires quite expensive costs when we do water management, so this is 0% contamination of pesticides. We only call it healthy. The price is only Rp 12,000, almost the same as the hope that the lower-middle-class people can still access it because we serve not only the upper-middle class, there are middle-lower-class villagers, and some are upper-middle class."*

## **CONCLUSION**

This study is a qualitative study that identifies the patterns of innovative asset management in Panggungharjo, a village located in Yogyakarta, Indonesia. The village assets have been successfully managed to increase the community's earnings by creating innovative businesses such as technology-based business innovations and using exceptional business processes.

There is a pattern in the innovation of the use of village assets to provide income to the original village income and provide benefits to the community. First, the utilization of village assets must be directed to businesses that can provide profits and benefits, so it needs to be managed by a notable profit-oriented Village Institution (VOEs). Second, innovation in utilizing village assets must be posted on businesses that can meet the community's needs so that the market share is evident. Third, innovation in utilizing village assets needs to be combined with appropriate technology.

## **LIMITATION AND FUTURE RESEARCH**

This study was conducted in the Indonesian settings. Nonetheless, the study results may not apply to village asset management in other countries, particularly the Western ones. At last, these findings are likely to have substantial implications for village asset managers from other villages in designing and implementing how to maximize village asset utilization for the benefit of the village community.

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