



**THE REGULATORS’ PERSPECTIVES AND CHALLENGES IN  
IMPLEMENTING VILLAGE ASSET PERFORMANCE  
MEASUREMENT**

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**Abstract**

The aim of this study is to assess the possibility of the village asset performance measurement implementation that is yet available in Indonesia. The assessment is focused on the regulation perspective and readiness of the village. This study uses qualitative approach that examines the condition of natural objects where the author acts as a key instrument that digs up data, examines data, and interprets data. The research samples were taken by applying purposive sampling and snowball sampling techniques. The results show that there are at least two challenges and opportunities of asset performance measurement implementations. Firstly, the opportunity for implementation comes from the existing Village Law that enables the government to make lower regulations as a basis to implement asset performance measurement. In addition, the complexity of village natures and autonomies should be adopted by the regulation created by the government. Secondly, village administration readiness is also an implementation challenge. Other challenges include village leadership issues, land problems, professionalism, and human resources. This study was conducted in the Indonesian context. Further research is required to create an experiment of asset performance measurement experiment so that the hurdles of the implementation can be furtherly analyzed. These findings are likely to have significant implications for both local and central governments to create policies and regulations related to asset performance measurement implementation.

***Keyword:*** Asset performance, Asset performance measurement, village asset, implementation

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## **INTRODUCTION**

The village administration finds that the village assets are a significant resource to fund its operation. Thus, these facilities have to be operated effectively and efficiently so that the village administration is benefited most favorably. One of the functions of village assets is to support village administration tasks accomplishment. Due to the importance of village asset management, the Central Government, through its department, the Ministry of Home Affairs, has regulated it in the Ministry of Home Affairs Regulation Number 1 of 2016 (Rachmawati et al., 2018).

In addition to that, the upper regulation, Law Number 6 of 2014 concerning Villages stated that the village government is the one that is responsible for conducting village asset management. Village assets, by definition, are economic sources that are managed and/or owned by the village authority sourced from the original village wealth, obtained at the expense of the village income or other legal rights acquisition. Given the significance of controlling village-owned assets, it has become necessary for the village authority to control village-owned assets in a professional, effective, and economical manner so that the economic welfare of the village community can be achieved through the utilization of village assets (Saputra et al., 2020).

Village asset management is a method in the process of resource management conducted by a group of village communities starting from asset planning to asset supervision to attain village goals (Risnawati, 2017). The Minister of Home Affairs Regulation No. 1/2016 states that the management of village assets is a sequence of activities including planning, acquisition, utilization, security, preservation, extermination, displacement, administration, reporting, valuation, education, supervision, and control of village assets (Rachmawati et al., 2018).

In practice, the village asset management has to be conducted in an utmost way so that asset optimization can be achieved. Asset optimization is a process in asset management that has the objective to increase the physical, location, value, legal, and economic capacity of the assets (Sriastiti et al., 2020). The exact data related to the need for village asset optimization is yet to be found, however, data taken from State Supreme Court Asset Information System in 2018 shows that of 65 state-owned houses in District Court and Denpasar High Court, 15 houses are not occupied, 20 houses are damaged lightly, and 3 houses are damaged severely (Sriastiti et al., 2020).

Thus, some scholars suggest the need for alignment between assets and the need of the users, assets and the government goal, and assets and financial policy (van der Schaaf, 2002). To achieve that, three principles should be acknowledged by the government as asset managers. The first principle is that the government has to recognize the productive assets that support its goal. The next principle is that collaboration between the government and private sector

enables the optimization of assets. The last is that the government should open the opportunity to adopt private sector management practices (Kaganova, 2006).

Given the principles stated above, performance measurement can be used to optimize the levels of effectiveness and competitiveness of the village asset management. The purpose of performance measurement is to create information that can be used to figure out various problems and can be implemented in certain circumstances (Zairi, 1994). Performance measurement gives the groundwork for an institution to evaluate how well it is advancing towards its foreordained targets, to analyze areas of strengths and weaknesses, and to determine future activities, expecting to increase institutional performance (Amaratunga & Baldry, 2002).

In another word, performance measurement can also be defined as a significant tool to create judgments and decisions on business improvement (Riratanaphong & van der Voordt, 2015). Performance measurement can aid the decision makers to answer some deliberately significant inquiries such as: 1) where is our current position? 2) Where is our goal? 3) How do we reach the goal? and 4) How do we know that we have reached the goal? (Lebas, 1995).

The aim of this study is to assess the possibility of the village asset performance measurement implementation that is yet available in Indonesia. The assessment is focused on the regulation perspective and readiness of the village. In addition to that, the scheme of the village asset performance measurement implementation is created to depict the local theory as the output of this research.

## LITERATURE REVIEW

The Village term can be described as having several meanings from a sociological point of view, an economic point of view, and a political point of view. From a sociological perspective, The Village can be depicted as a community unit or community of residents who live and settle in an environment where they know each other well and their lifestyle is relatively homogeneous and depends a lot on natural gifts (Sirajuddin, 2016). Meanwhile, from an economic perspective, The Village can be explained as a community environment fulfilling their daily needs from what is provided by the surrounding nature. In this second sense, the village is an economic environment, in which the population strives to meet the necessities of life (Sirajuddin, 2016). At last, from a political perspective, The Village can be described as a government or organization that politically has authority. In this third sense, the village is often defined as "a community unit". the law that has the power to organize its government (Sirajuddin, 2016).

The village assets, according to the provisions in Article 76 of the Village Law, are village treasury lands, *ulayat* lands (customary communal land), village markets, animal markets, additional boats, village buildings, fish auctions, agricultural product auctions, village-owned forests, village-owned springs,

public baths, and other assets belong to the village. According to Minister of Home Affairs Regulation No.1 of 2016, village assets are property belonging to the Village originating from the original assets of the Village, purchased or obtained at the expense of the Village Income and Expenditure Budget (APBDesa) or other legal rights acquisition (Heriningsih et al., 2017).

The provisions for the distribution of types of village assets are stated in Article 2 of Minister of Home Affairs Regulation No.1 of 2016, which consists of village original wealth, village property purchased or obtained at the expense of APBDesa, village assets obtained from grants and donations, etc, village assets obtained as the implementation of an agreement/contract and/or obtained based on the provisions of statutory regulations, the results of village cooperation, and village assets derived from other legitimate acquisitions (Heriningsih et al., 2017).

The concept of Asset Management and Asset Performance Measurement is lacking in the theories specifically discussing the area of Village-level. To measure asset performance, there are four major categories to be focused on, which are financial, physical, functional, and survey-based (Lavy et al., 2010). Moreover, benchmarking should be considered a critical performance measurement tool that allows institutions to achieve added value and excellent performance (Camp & Camp Robert, 1989). It is necessary to spotlight that the type of the services provided is subjective to measure, and acknowledge that benchmarking should also measure "hard" and "soft" issues in facilities performance (Pitt & Tucker, 2008). Based on the discussion above, we believe that there is room to be dug up, which is the implementation of asset performance measurement focusing on local aspects such as villages in Indonesia.

## **RESEARCH METHODS**

Primary data collection will be carried out by interviewing parties related to the issues discussed either directly or indirectly. The technique of selecting informants will be carried out by using purposive sampling and snowball sampling techniques. The technique is executed by selecting the initial informants purposely, based on those who have qualified knowledge of the problems, have a decent understanding of the issues, and are willing to provide data. Furthermore, the initial informant is allowed to recommend additional informants who can provide further information. The backgrounds of the key informants were chosen with several criteria such as having a government background and working in the ministry managing the village assets.

## **FINDING AND DISCUSSIONS**

### **Regulation Perspective**

Based on Law number 6 of 2014, the asset performance measurement is not yet regulated specifically. However, there is chapter, 77, in Law number 6 indirectly

regulates the asset performance measurement. The detail of chapter 77 verse 1 is as follows "Village property management is implemented based on the principles of public interest, functional, legal certainty, openness, efficiency, effectiveness, accountability, and certainty of economic value". Village asset is a part of village property so, in terms of asset performance measurement, a part of asset management should complete the existing village asset management. In addition, in verse 2, "Village property management is carried out for improving welfare and standard of living in the village community and increasing village income". The asset performance measurement implementation can be used to measure the readiness of village assets that in the immediate future will provide benefits for the village people socially and economically. To be implemented, a derivative regulation should be created by the government. Furthermore, based on the national long-term plan for 2005-2025, Law number 7 of 2007, the significance of village asset performance measurement is yet to be found.

Despite the opportunity to create derivative regulation, the scope of the regulation is another challenge for the government. Before implementing village asset management regulation, the government should be aware of two concepts related to democratic governance and pro-poor policy (Borras Jr & Franco, 2008). They affirmed that village asset management is not merely an administrative problem such as asset registration and asset administration yet village asset management should be a solution to socio-agrarian problems such as over-exploitation and economic inequality that can be solved by democratic governance accommodating also social, economic, and political needs from village society. The latter concept, pro-poor policy, affirmed that the regulation should provide benefit more to the poor people. To be classified as a pro-poor policy, several policy characteristics should be existed such as protection and transfer of wealth based on resources, transfer of resources based on political power, historical awareness, social class awareness, gender awareness, ethnic awareness, increase and development of productivity, and rights enforcement (Borras Jr & Franco, 2010).

Based on the interview, the regulation cannot be implemented generally, since each village has its characteristics and it violates the village autonomy ruled by village law. The village autonomy enables villages to govern themselves in terms of village assets. However, there is an opportunity to implement the regulation through one village government mechanism called The Village Council. The Village Council is a democratic body regulated by Village Law to accommodate the village people's aspirations. By using Village Council, the implementation of asset performance measurement regulation can be enforced.

The other opportunities are the implementation of asset performance measurement at the ministry levels. At a minimum, two regulations are implemented at the ministry level such as Ministry of Public Works Decree

Number 13 of 2012 relating to irrigation asset management and Ministry of Finance Decree Number 349 of 2018 relating to procedures for implementing state asset performance evaluation. Based on the Ministry of Public Works Decree Number 13 of 2012, irrigation performance is measured by several indicators such as infrastructure condition, water availability, landscape index, supporting facility, personnel organization, documentation, and the water user association. Meanwhile, based on the Ministry of Finance Decree Number 349 of 2018, the performance measurement guidance is used to measure the performance of state assets by using several indicators such as public interest, social benefit, stakeholder satisfaction, the asset's future potential, asset financial feasibility, and technical condition. Both of the decrees can be used as a benchmark for creating derivative regulations to implement the village asset performance measurement. Besides, village asset performance measurement can be used as a tool of village asset optimization that is regulated by President Regulation Number 18 of 2020 related to the medium-term work plan for 2020-2024. To enhance, the central government should be aware that every village has its own culture/local wisdom related to village asset utilization so the government should accommodate it in the form of written regulation or in the form of less formal regulation.

On the other hand, having been revised by the Constitutional Court decision Number 91/PUU-XVIII/2020 related to omnibus law, the village asset such as lands or buildings can be used as the village-owned enterprises' equity creates potentially fraud in a form of village asset transfer from village asset to village-owned enterprises asset. The fraud possibility was also confirmed by one of the interviewees that in many cases, the practices of transferring the village asset to the village-owned enterprises assets frequently occurred. It violated the regulation that the village assets are forbidden to transfer. The comprehensive harmonization of the regulations from top-to-down, from central government-to-village government, should be done, in order to boost the optimization of the village assets.

### **Village Administrations Readiness**

Generally, the village administration's readiness can be measured quantitatively, however, in this study, village administration readiness was assumed from the problems captured by interview results and previous research.

### **Land Issues**

Some village administrations have problems regarding land acquisitions. Some village lands were sold which violated the village regulation stating that village land is forbidden to sell unless land replacement exists. Similarly, some cases showed that the village asset registrations are purposely ignored by the village administrations to protect some village elites' interests.

The land problem can be observed from two perspectives, the village assets administration perspective and the asset security context. In the context of the Village Assets administration, mainly at the inventory level, challenges of disappearing village assets, such as land and buildings, emerged because of the absence of legal status of the properties. In many cases, the village governments own weaker legal documents of the land such as a village-level document, called a *girik* or a letter C. The phenomenon was confirmed by our informants. In addition, the phenomenon was explained in Article 76 paragraph 5 of the Village Law in conjunction with the Omnibus Law. It stated that Village Assets taken over by the Regency/Municipal Government must be returned to the Village Government, except the village assets that are used for public facilities. In practice, this phenomenon becomes a problem since the registered village assets belong to the village government. Consequently, the registered village asset cannot be used optimally by the village government for the benefit of the village community. The hurdles of administering village assets need to be encouraged by a regulation created by the President to make settlement of village assets.

In the context of asset security, village assets have not met the most important principles, mainly administrative order, legal order, and physical order. In the administrative context, the village assets, in the form of land and buildings, are not equipped with proper legal status in the form of use rights certificates. In the legal context, the release of land assets is actually through equity participation in the village-owned enterprises (VOEs), so that it can be used for financing the business of the VOEs. Therefore, Government Regulation Number 11 of 2021 limits the village assets that may include equity other than land and buildings. Government Regulation Number 11 of 2021 concerning Village-Owned Enterprises is a derivative of Law Number 11 of 2020 concerning Job Creation. In the physical context, land and buildings owned by the Village Government are controlled or owned by other parties. The findings supported previous research related to the fraud possibility in village asset management. In some cases, land owned by the Village Government was sold to build buildings in the absence of Village Regulations related to Village Asset Management (Purwanti & Nursiam, 2018)

### **Village Leadership**

According to Ministry of Home Affairs Regulation Number 1 of 2016, the village leader holds the authority and responsibility to manage village assets. In addition to that, the Village leader establishes village asset management policies, determines assistance for village asset management, determines asset utilization, determines the asset transfer, establishes a policy for securing village assets, and approves the proposal for the transfer and disposal of village assets based on the leader's authority.

However, frequently many factors affect the village leader to act based on his authority. The absence of Village Head Regulations related to asset performance measurement is caused by the absence of the upper law regulating asset performance. The existing regulations related to village asset management, Ministry of Home Affairs Regulation Number 1 of 2016, are yet to be implemented fully. The village asset, in many cases, is not registered properly because of many reasons. Some village assets are also leased without fair compensation to the village government, in many cases, caused to the absence of Village Leader Regulations concerning village asset management (Purwanti & Nursiam, 2018). The findings were also affirmed by the interviewees. The village leaders have a central role in asset optimization by enforcing asset administration and asset security.

### **Lack of Proper Human Resources**

Frequently, Village Administrations lack human resources capable of managing village assets. In many cases, the human resources competencies to manage village assets do not fulfil the asset management field requirements (Pobela et al., 2017). One important solution for solving human resources problems is by creating training to increase human resources skills, knowledge, and ability related to village asset management (Budiman & Rudi, 2002). In addition, the sustainability of education and training related to village asset management should be the priority of the village government (Martoyo, 2000). Besides that, based on the previous research, human resources development is positively affected by society participation. So, in order to increase the capacity of human resources development, social participation must be enforced (Uceng et al., 2019)

However, the village conditions that are diverse in terms of background, infrastructure disparities, cultural diversity, and also the quality of their human resources provide challenges that are not the same among villages in Indonesia. It will have an impact on the ideas and creativity of village asset optimization innovations.

### **Lack of Professionalism**

According to Riyanto (2014), the professionalism of the village administrations affected significantly the village government's performance. Another research showed that a lack of administrative professionalism created some problems in the village asset registration and less optimal village asset utilization (Nurina, 2014). Other findings showed that the controlling process that is not optimally accomplished created other problems in the village asset management. The less optimal controlling process is mostly caused by the lack of village government professionalism (Natalia et al., 2017). In the context of VOEs, professionalism in VOEs personnel is significant to be developed so that VOEs can provide an optimal contribution to the Village's Income. By doing this, the measure of



economic profit can be one of the appropriate benchmarks for village asset optimization.

## **CONCLUSIONS AND RECOMMENDATIONS**

To conclude, the implementation of the village asset performance measurement is an opportunity to optimize the village asset. However, the implementation should consider the regulatory challenges and readiness of the village administration such as the classic village land problem, village leadership, lack of proper human resources, and lack of professionalism. However, this study is far from complete. Future studies related to the implementation of the village asset performance measurement should be conducted mainly on the indicators used in the asset performance measurement.

Based on the findings and discussion, several recommendations were created at the central, local, and village government levels. The recommendations can be summarized as follows:

1. The local government should provide full support and assistance to the village administration in order to accomplish the problem frequently occurring in the village asset management. In the cases of local government cannot provide full support and assistance to the village government, local government should empower village administrations by providing training to enhance their asset management competencies;
2. The central government and local government should create regulations related implementation of village asset performance measurement so that it can be implemented to optimize the village asset usage and utilization so that village communities receive benefit from the village asset.

The village leaders can use their authority to create regulations to implement the village asset performance measurement so that they can manage their assets optimally to provide benefit to the village communities.

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