

INITIATION VILLAGE-OWNED ENTERPRISE FOR STRENGTHENING
TOURISM DEVELOPMENT

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Abstract: This study takes a perspective on the analysis of village owned enterprise involvement on tourism development in Tamansari, Indonesia. Using descriptive data, the paper aims to demonstrate that the driving force behind these enterprises is the need to improve the village economy such as optimizing village assets, developing community resources, and creating business opportunities. The qualitative study was undertaken between August - October 2019. It employed interviews with stakeholders (enterprise managers, local government, and residents of Tamansari). Furthermore, the study utilised observation and secondary materials. This paper discusses preliminary findings regarding the study's participants' concerns in strengthening sustainability of tourism development in Tamansari. Accordingly, the study develops the key factor role of village enterprise and how to gain the sustainability business community, and tourism development in local area.

Keywords: Village-Owned Enterprise, Sustainable Tourism, Initiation, Banyuwangi, Indonesia

Introduction

Tamansari village, a village located in the western part of Banyuwangi Regency. The village is located en route to the Ijen Crater, which is famous for Blue Fire attraction. Tamansari is composed of seven administrative areas, Krajan, Sumberwatu, Kebundadap, Tanahlos, Jambu, Ampelgading, and Blimbingsari. Tamansari has a population of nearly 6.985, the majority of whom are former farmers. The area of Tamansari Village is 2767.16 Ha and part of the Banyuwangi regency, East Jawa, Indonesia (Figure 1). Tamansari village development has increased since the establishment of the village-owned enterprise in 2015. The purpose of the establishment of village-owned enterprises is intended to encourage and accommodate all activities in the form of increasing community income, both those that develop according to local customs and culture as well as economic activities that are submitted to be managed by the community through programs that are in line with the central and regional (provincial) governments. In other hand, Village Enterprises (BUMDES) driving the rural economy through the establishment of economic institutions managed entirely by the rural community. After former in 2015, Tamansari created some program related to sector economy and tourism focusing on exploration potential on service and tourism product in Tamansari.



Figure 1. Local Map of Taman Sari Village (Source adapted from Rupa Bumi Indonesia and conservation Area Map of Forestry the Ministry and Forestry of the Republic of Indonesia, 2019).

The phenomenon of Blue Fire in Ijen Crater and bordering with the Blambangan Nature Reserve, the number of visitors has kept sharply increasing (Government Tamansari, 2018). Tamansari village located on the main road of the Ijen Crater therefore many tourists from within the country and abroad who visited and passed the Tamansari Village. With the increase of tourists, Tamansari shifting to be tourism village and community residents have gradually chosen tourism as their livelihood. Tamansari open the rest area and prepare the entrance gate and collect entrance fee within life insurance for tourists (Figure 2). Tamansari Village Owned Enterprise able to generate a turnover of IDR 40 million per month or IDR 480 million/year and contributes to the Village Revenue and Expenditure Budget (APBDes).



Figure 2. Tamansari Rest Area (Entrance gate to Ijen Crater Nature Reserve) managed by Village Owned Enterprise (source: photo by author, 2019).

Literature Review

Tourism Development

Tourism is not a singular product (Gunn, 1994), and tourist resources are not exclusively by the tourist. Tourism shares resources with agriculture, forestry, water management, or residents (Boniface, Cooper, & Cooper, 2012). Tourism trusted as the fastest and the easiest factor to develop the economy. Tourism also created a significant number of jobs through the hotel, guest houses, restaurants, souvenir shops, and travel agencies (Nyaupane & Poudel, 2011). Tourism is closely linked to the social, economic, and environmental well-being of many countries, especially developing countries. Tourism is easy to connect with those factors — paradigm from market share oriented to sustainability-oriented (Mendola & Volo, 2017).

Integration of rural and tourism specific on establishing product availability, development possibilities, and market information. For rural tourism business, therefore, the structure and function of process more important than relationships with place. Within this perspective, these include: 1) the need for effective planning, management, and strategy, 2) the important of integration between various stakeholders with an active interest and role in policy formulation, 3) the need integrated thinking and actions between tourism and recreation within processes of rural development.

Tourism can broadly support business utilizing the resources the resources of rural areas for tourism purposes. Th process of production such as crops, plantations, agricultures, and livestock rural ways of life, rural landscape, plays is important role in rural tourism development. Tourism and sustainability attempts to promote a collective responsibility among all stakeholders as a basis for modified behaviour to reduce the negative impact, reduce cost and maximize benefits. It is fundamental the long-term resilience and competitiveness of the destination.

The established approaches to encouraging adoption of sustainable practices in the local level support provided information and knowledge, and business motives. The development of tourism and particularly an increased emphasis on the value of tourism to destination localities, more equitable distribution of the related benefits for host/resident communities. Tourism business must respond effectively and efficiently to meet those challenge of worldwide competition and the environmental agenda.

Village-Owned Enterprise in Indonesia

The village-owned enterprise entity (or synchronized as Bumdes) is a legal village business managed by the village Government. Village Owned Enterprises are businesses formed/established by the village government whose capital ownership and management are carried out by the village government and the community. Establishment of Village-Owned Enterprises is stipulated by Village Regulation.

The village owned enterprise forms can vary in every village in Indonesia. Variety of this form is in accordance with local characteristics, potential and resources of each village. The existence of a company in the village is expected to provide an alternative for the village, which is to develop village talents and potentials that have market opportunities in order to improve community health through businesses run by village-owned enterprises.

Village-owned enterprises are expected to be a source of village income, improving public services is an economic driver in the village as well as social benefits for other village-owned enterprises. Village Enterprises is a business unit of rural society involving the full management

of rural communities through a process of empowerment and development of the Provincial Government.

All the capital of BUMDES comes from the village. The mission of village owned enterprise is developed based on the following three basic principles: 1) is a local product that is global; 2) produce products with creativity and with their own abilities (develop local special products), and 3) while developing the ability of human resources (encourage each unit to utilize local resources; natural, human, and technology by relying on local traditions).

Legal regulation the establishment of village-owned enterprise based on the Law No. 32 of 2004 on Regional Government. This provision is contained in Article 213 paragraph (1) of Law No. 32 of 2004 which states that "the village can establish village-owned enterprises in accordance with the needs and potential of the village". The village-owned enterprises indicate efforts of the Government to provide flexibility to the village to develop their potential for development of rural communities.

To optimizing role of village-owned enterprise, there are some stage to properly practice. The first stage is planning. This plan includes forming an organization, determining the type of business, and managing the business. All of these must be planned carefully for business entity. The second stage is observation. Local government and community observe the village assets that are considered good for business also how the potential for business development in the future, looking at market opportunities, both local and export and get adequate financial support from various programs from relevant central ministries, also utilizing information technology.

The third stage is the arrangement of types of businesses. Certainly not only one type but there are several types of businesses that need to be managed. The fourth stage is maintenance. For village governments, maintenance of business entities that have been made mandatory because it part of responsibility funds/capitals. Maintaining it is mean security. Therefore, the fifth stage is reporting business results. Each type of business is required to carry out business calculations. It is part of transparency (Law No. 32 concerning regional development; Article 213, 2004).

Some of these functions are encourage the development of economic activities in rural communities, increase creativity and productive economic business opportunities (entrepreneurship) for the low-income members and encourage the development of the informal sector micro enterprise to create employment.

Research Method

Instrument, Design, and Data Collection

This research uses qualitative methods. This research held on August - October 2019. The technique of determining informants; managers of village-owned enterprise (BUMDes), resident, and local government, uses purposive sampling techniques for the primary informants and the snowball sampling method for additional informants. The method of data collection through observation, interviews, and documentation. Data analysis and tested for validity by triangulation techniques. This research focus on (1) efforts of village-owned enterprises in strengthening tourism development include increasing village income, pro tourism, cooperation and networking, education and capacity building initiatives, (2) inhibiting factors, and supporting the existence of village-owned enterprises in strengthening sustainability business in tourism.

Results

Role of Village-Owned Enterprise in Tamansari

Tourism contribute to the creation of new job opportunities outside of agriculture and also strengthen small business community. With the high number of tourist visits in Ijen Crater, it gave rise to an idea for village-owned enterprise of Tamansari to open a business (community business initiation) Increasing community welfare, technology, general labour skills, education levels of staff, access to bank loans and government supports, help supervise the implementation of village economic activity organizers, assist the village government in developing natural and human resources in the village to be developed into economic sources.

Since village-owned enterprise was founded, the residents' homestay business has continued to grow. Until now, there have been 53 homestays standardized in Tamansari with 33 homestays, including standardization, which includes the eligibility standard for facilities, toilets, and rooms. Enterprises also educate people who own coffee gardens, process coffee from harvesting to roasting in the right way so that it has a high selling value. With the presence of enterprise, the village is expected to become more independent and the community will become more prosperous (Article 23 paragraph (1) Law Constitution No. 32 Year 2004).

Village-owned enterprise become the main driver for village economic development based on local potentials. This strategy is supporting local and community-based businesses including implementing green economy (develop the economic growth with minimum destruction of the environment). The encouraging of community business is the village enterprise provide the entrepreneurship training using new telecommunications technologies (marketplace and online platform).

Another income opportunity is the transportation business in the tourist area. To optimize of this business, a management cooperative was formed. According to M, former Tamansari head of village owned enterprise, the formation of cooperatives is an effort to standardize services, operational vehicle conditions, and to prevent tariff wars. Residents who have good communication skills are trained and trained as guides. One hundred twenty guides in Taman Sari have been certified. Direct and indirect benefits from the tourism program in Tamansari bring some direct economic related to jobs, funding, and facilities.

BUMDEs encourage local people to start or expand small business. Some people who are entangled with high loans from illegal lending got supported by village-owned enterprise. The management of villages enterprises provide booths for that resident to sell the traditional snacks/culinary in the market every afternoon (Figure 3). The residents will get the profit as extra income and could pay the credit. The village enterprises also facilitate the music orchestra, traditional dance show, and any entertainments for attracted people to come and buy products from the booths. However, the resident who owns the S.M.E.s has access to the resources needed to respond to trends and development. Even though they have advantages as the position can offer niche products, but they face the problem of lacking product differentiation and stifling innovation.



Figure 3. Sales booths part of community business arranged by Village Owned Enterprise (Before and After Development)

Village owned enterprise have played an increasingly important role on business community and tourism development in Tamansari, Indonesia. The village enterprise also providing job opportunity for the community and side income of households. (Table 1). Tourism continue enhance the diversification of livelihood. As the day labourer and unemployment, the residents get involved on tourism development by village owned enterprise. They are getting facilitation of training and improving knowledge related management destination, technic guiding, and homestay management training.

The village enterprise initiative has been a worthwhile for community such as provide jobs and self-employment (small medium business). The village owned enterprise also create the rules for address the successful and sustainable entrepreneurship in Tamansari. The finding reveal that village owned enterprise contribute to tourism development in Tamansari in both direct and indirect ways. Direct contribution including the opportunity of jobs and providing the extra income for the residents for creation of local product and tourism service. The indirect contribution of village enterprise is multiplier effect in tourism development and added values of primary business community.

However, the villages owned enterprise have the challenges for increasing economy by tourism development in Tamansari. The impact of tourism in Tamansari increasing the investment policy and land use conflict. Reduction land for agricultural as impact of expansion of resorts by outside of village (land ownership) implies the challenges in the future. Furthermore, the policy regarding those issues will become the solution in supporting sustainable livelihood and sustainable community-based tourism.

Capacity building in education, equal opportunities, fairness benefits, and collective initiatives, in particularly, have the potential to empower managers and stakeholders, such as promote collaboration, create a culture of sustainability, and encourage alternative and an adaptive business unit. The level of awareness of sustainable issues and specific knowledge of the impact of the behaviour of visitor and tourism business and resident wishes for the prospect of tourism development (Mitchell, 2005). The tourism program offered by Tamansari village is not yet unique and different from other destinations. The challenges are sources of information and ideas maybe limited and capital for entrepreneurial and marketing may be lacking. This is a consideration of the importance of product differentiation knowledge.

Table 1. Tourism Improving Job for the Community

No	Name	Occupation	Former Occupation
1	S	Secretary	Farm day laborer
2	Mo	Accounting	Plantation worker
3	H	Janitorial Staff	Agricultural laborer
4	Ha	Security	Agricultural laborer
5	R	Maintenance & Equipment Staff	Plantation worker
6	M	Janitorial Staff	Unemployment
7	A	Security	Agricultural laborer
8	N	Employee Parking	Unemployment
9	M	Ride Operator	Unemployment
10	F	Ride Operator	Agricultural worker
11	Mi	Ride Operator	Day laborer
12	Muh	Janitorial Staff	Unemployment
13	Na	Ticketing Staff	Housewife
14	Su	Employee Parking	Agricultural worker
15	Ca	Tourist Vehicle Staff	Day laborer
16	Da	Tourist Vehicle Staff	Day laborer
17	Sur	Tourist Vehicle Staff	Agricultural worker
18	Mu	Tourist Vehicle Staff	Plantation worker
19	E	Tourist Vehicle Staff	Sulphur miners
20	Ah	Guide	Sulphur miners
21	Si	Guide	Sulphur miners
22	Ac	Guide	Sulphur miners
23	Ju	Guide	Sulphur miners
24	D	Guide	Sulphur miner
25	Sa	Guide	Day laborer
26	V	Guide	Day laborer

Supporting and inhibiting factor on development in the existence village-owned enterprise

The enthusiasm and motivation to success becomes the driving force for the communities and managers of village-owned enterprises. Proactive, positive thinking or thinking for success is one of the keys to the success of the Tamansari village-owned enterprise. Collaboration among manager, local government, academic, and resident, this clearly has implications for new business development. This is manifested on Taman sari village-owned enterprise implies the communication and stakeholder engagement. The role of collaborative partnership is now considered essential for business survival. The sustainability of business that integrate across both regions and sectors and emphasize partnership, collaboration, and inclusiveness. The emphasis, priority, and role of policy in stimulating and sustaining tourism business as an

integral element of development process. Policy has then to be incremental as a result of good quality information and the availability of formulation and implementation. Managers Tamansari village-owned enterprise created and signed the MoU with homestay manager, cafe, and vehicle owners. This is also mention by Srirejeki, 2018, participatory cooperative, (user-owned, user-benefited, and user-controlled), transparency, emancipatory, accountability, and sustainability as principles of village enterprise.

Village-owned enterprise also controls and monitoring the practice related taxes, tariff/price, and penalties of various kind management in Tamansari. Small-medium enterprises related local restaurants, craft shops, catering, owner of transportation (jeep, four-wheel car) to and from Ijen Crater, and so on.

“Openness to information, ideas, and creativity of the younger generation and the courage to try new things is a condition that must be done by the village government to support the growth and existence of village-owned enterprises” former head of Tamansari village-owned enterprise, Y, manager of village owned enterprise spoke.

“Another support was also conveyed by the village head, R, in the interview session. The village head invited all elements of the community, specifically the university, to provide a joint solution for tourism development in the village of Tamansari”.

However, still more resident in Tamansari staying out for involve in this program. Hence, the manager continues to strive and motivate the spirit of success to the community. The reason is the stronger sense of local ownership and greater commitment will imply on the organization.

Government intervention reflecting on strengthening collaboration into village-owned enterprise. The local government supports the enterprise by providing opportunities to manage village programs. This has become one of the success factors of the Tamansari village-owned enterprise. The research intervention the government is too big hampering creativity and innovation within the village community manages and runs the economic engine in the countryside (Zulkarnaen, 2016).



Figure 4: Conference on Village Development Planning (Collaboration Village Owned Enterprise, Community, and Local Government)

In Tamansari, the importance of partnerships, networks, and cooperation between institutions obtain by local conferences held every 3 months (Figure 4). Local conference was introduced as an effort to replace the centralized and top-down system. Communities at the local level and the government have the same responsibilities in developing their region. The participatory

budgeting process provides space for communities to involve in the village planning process. It is part of the integration and coordination the various agencies for taking the responsibility. It also creates an environment for exchange and interaction between stakeholder groups, allowing early identification of potential conflicts and enabling collaborative problem solving (Lucrezi, Esfehni, Ferretti, & Cerrano, 2019).

In some areas, the presence of the village community offices was not optimal because the participation and knowledge of the community in village-owned enterprise program were still small (Anggraeni, 2016; Prasetyo, 2017). This condition is different from in Tamansari village because of the initiation of village-owned enterprise management, who were active in getting the community involved. The sharing fee and training management of homestay, guide, and vehicle is including in the collaboration of Tamansari village owned enterprise with the community. Local people have earned their incomes through the offering of homestay to the incoming visitors and also being the guide (**Fig.5**).



Figure 5. Homestay and Jeep (vehicle for village tour) managed by Village Owned Enterprise

Another the most interesting and uniquely of Tamansari product and activities is Buffalo ploughing. This is part of preparation of planting rice. With the chance of potential economic impacts, most communities lead by village-owned enterprise bringing visitors to take part in this kind event (**Figure 6**).

Another popular activity is seeing the process of palm sugar. This is more traditional culture because some tools and another facility in traditional way. Visitors have experience not only observe the process but also try to cook, put the liquid palm sugar to the platform. Lack of data about the requirements of guests, poor market awareness/ segmentation, and competitive advantages also another part of challenge of Tamansari village owned enterprise.



Figure 6. Village Tourism Activity (Buffalo ploughing attraction & Brown sugar making)

However, in this case, the local conferences programs discussed forthcoming year has not to touch sustainability issues. It is only limited to the provision of plant seeds, livestock breeds, construction of road and sewage infrastructure also foreign language training for village youth. Finding the issues of the important of the collaboration group business operators, including accommodation, attraction, and transportation not only improving the product quality but also increasing the inclusiveness practices. A commitment to monitor and forecast the demand and visitor satisfaction could be the good work for the group. It would be part to integration quality management in practice. The goals seeing improving of local awareness, encouraging partnership all the stakeholders for better integration to the greater involvement related to sustainable tourism business.

Conclusion and Suggestions

The role of village owned enterprise driving movement developing village economy. The practice of sustainability has not touched in the development tourism program. It such as forecasting data, monitoring, and evaluating previous programs, difficulties and problems encountered, alternative livelihoods, product differentiation, market segmentation. In the future, the village enterprise point out on what are the value of Tamansari tourism village product and service and how tourism businesses adopting sustainable practices on integration of rural development. It is possible, to mention the importance of external resources derived from relationships with destination agents in the innovation behaviour of tourism small and medium-sized enterprises (SMEs). From the perspective community level, the role of community government play in village enterprise as an organizational response to the imperfect institutional environment. Village enterprises help overcome problem of work and diversification livelihood for the community. Village enterprises also could be the initiator to share thought, ideas, and innovation for tourism development in the future.

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