

## **Identification of the Ex-PNPM-MPd Activity Management Units' (UPKs) Institutional Problems in East Java Province**

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### **Abstract**

*The termination of the PNPM-MPd in 2014 caused problems for program executives, especially in terms of preserving the system, assets, and institutions of the ex-PNPM-MPd UPKs' revolving fund management. Consequently, the ex-PNPM-MPd UPKs must select and adjust their institutional models following applicable regulations to continue to carry out revolving fund activities to preserve the revolving fund as the legacy of the PNPM-MPd. This study, aimed at identifying the problems related to the institutional models of the ex-PNPM-MPd UPKs, used a qualitative descriptive research method carried out in 2020 on seven ex-PNPM-MPd UPKs representing three institutional models in East Java Province. The identification found that, in general, the three institutional models, namely the Original UPK, BUMDesma, and PBH, faced the same problems, including the lack of a solid legal basis for institutions, dynamics of institutional management personnel and related stakeholders, poor collectibility, and stagnation of business development.*

**Keywords:** revolving fund, PNPM-MPd, institution

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### **1. Introduction**

PNPM-MPd is one of the community empowerment programs in rural areas that functions to mobilize and change the perspective of rural communities to achieve independence. Its general objective is to increase the welfare and employment of the poor in rural areas by encouraging independence in decision-making and development management. The target groups are the poor in rural areas,

community institutions in rural areas, and local government institutions. The institution that manages the implementation of the PNPM-MPd at the district level is the Activity Management Unit (UPK).

In addition to managing facilities and infrastructure development programs, capacity building, and community participation, UPKs also execute revolving fund activities. In the explanation of XI PTO PNPM-MPd, it is stated that the revolving fund is channeled through UPKs to finance the economic activities of poor households through loan groups at district level. The PNPM-MPd revolving fund management activities managed by UPKs have provided benefits to rural communities, including providing easy access to household economic funding, both to the community as beneficiaries and business groups, and improved services to Poor Households (RTMs) for meet household economic needs related to business capital through beneficiary groups (PNPM-MPd Technical Operational Instructions).

The termination of PNPM-MPd in 2014 had been prepared through the issuance of Law Number 6 of 2014 concerning Villages. One year before the termination, on January 31, 2014, the Circular Letter of the Minister of People's Welfare No. B27/MENKOKESRA/VI/2014 concerning the Management of the PNPM Mandiri Community Empowerment Trust Fund (DAPM) was issued. The DAPM is a transformation of the management of the PNPM revolving fund after the termination. In this Circular, 3 (three) legal entity forms were recommended for UPKs to choose to continue the management of revolving funds. The forms were Cooperatives, Limited Liability Companies (PT), and Legal Entity Associations (PBH), by which the UPKs' legal standing could be improved at the end of the Program and for the protection and preservation of their assets.

On December 31, 2014, the program facilitators/assistants ended their contract period following the issuance of the Handover Certificate (BAST) No: 100/1694/SJ and No: 01/BA-M-DPDTT/VI/2015 signed by the Ministry of Home Affairs and the Ministry of Village, Development of Disadvantaged Regions, and Transmigration of the Republic of Indonesia. As of January 2015, the UPKs as the managers of the revolving fund, therefore, had no longer received assistance. Anticipating a void in the legitimacy of ownership of assets, both physical and revolving funds, the Ministry of Villages through the Director-General of Village Community Development and Empowerment (PPMD) on July 13, 2015, issued a letter No: 134/DPPMD/VII/2015 concerning Guidelines for Termination and Arrangement of PNPM-MPd Activity Results with Guidelines of the Termination and Arrangement and Transfer of Ownership of Assets Resulting from PNPM MPd Activities. The guidelines serve as a reference for Regional Governments, Village Governments, Village Facilitators, Technical Assistants, Community Empowerment Experts, Village Community Empowerment Cadres (KPMd), Inter-village Cooperation Agency (BKAD), and Village Communities to implement:

1. Termination of the implementation of PNPM MPd in 2014,
2. Arrangement and transfer of ownership of infrastructure assets in the villages, and
3. Structuring of revolving fund management institutions.

It is stated in the attachment to the circular that the PNPM-MPd termination process must be carried out in a transparent and accountable manner by first providing complete information to the village community regarding the PNPM-MPd termination. In addition, decision-making in all PNPM-MPd termination mechanisms must be carried out in a participatory manner by involving village communities, and carried out in village deliberation forums (Musdes) and/or inter-village deliberation forums (MAD).

Termination of PNPM-MPd, as stated in the Guidelines for Termination and Arrangement of Results of PNPM MPd Activities with Guidelines for Termination and Arrangement and Transfer of Ownership of Assets Resulting from PNPM MPd activities, concludes the importance of preserving (transfer of management and development) program results, especially related to systems, institutions, and productive assets in revolving fund activities in PNPM-MPd UPKs. Furthermore, on February 13, 2015, the Minister of Villages, Development of Disadvantaged Regions, and Transmigration of the

Republic of Indonesia issued Regulation No. 4 of 2015 concerning the Establishment, Management, and Dissolution of Village-Owned Enterprises that directs the transformation of UPKs and Revolving Fund Management to transform into BUMDes Bersama.

In East Java Province, at the time of the termination of PNPM-MPd, it was recorded that the productive assets managed by the Activity Management Units (UPKs) reached IDR1,632 T managed by 522 UPKs at the district level. The revolving fund was in the form of Productive Economic Business (UEP) and Women's Savings and Loan (SPP) activities with the number of beneficiaries reaching 72,582 Community Groups (Sulistyo, H., & Handoko, V. R, 2020). Although the revolving fund activities were still ongoing at the time of the termination of the Program, the termination raised various problems, particularly in the preservation of the system, assets, and institutions of the ex-PNPM-MPd UPKs' revolving fund. The termination required UPK institutions to immediately determine their attitude (in terms of institutional transformation) in obtaining legal certainty in institutional management. This institutional transformation was a consequence the ex-PNPM-MPd UPKs must face beyond the scope of the Program, meaning that the ex-PNPM-MPd UPKs must adjust to the applicable regulations to continue revolving fund activities to preserve the program's legacy. Based on the description of the background above, the formulation of the purpose of this research was to identify the problems faced by the various institutional models of the ex-PNPM-MPd UPKs.

## 2. Literature Review and Hypotheses

### a. Concept of Institution

Pejovich (1999) stated that institutions have three components, namely (1) Formal rules, including constitutions, statutes, laws, and all other government regulations, all of which shape political systems (government structures, individual rights), economic systems (ownership rights in conditions of scarcity of resources, contracts), and security systems (judicial, police), (2) Information rules, include experience, traditional values, religions, and all factors that influence the forms of individual subjective perceptions about the world in which people live, and (3) Enforcement mechanisms. All of these institutions will not be effective if not accompanied by enforcement mechanisms. Purwaka (2008) argued that the critical things about institutions include 1) institutional legal basis, 2) goals to be achieved 3) existence of authority, 4) facilities and infrastructure to exercise authority, 5) human resources needed as executor of authority, 6) human resources who can determine the level of success of the implementation of the authority, main tasks, and functions of the institution, 7) the mechanism or framework of the authority exercise, 8) inter-institutional networking, and 9) the results of the implementation of the main tasks and functions of the institution. The first to sixth points are the static aspects of the institution that are called the institutional arrangement, while the seventh, eighth, and ninth ones are the dynamic aspects called the institutional framework or mechanism. Djogo *et al.* (2003) suggested that institutions contain two critical aspects, namely institutional and organizational. The former includes behavior or social behavior where the core of the study is about values, norms, customs, mores, folkways, usage, beliefs, ideas, doctrines, desires, needs, orientations, and others, while the latter includes the structure or social structure in which the core lies in the role aspect. Structural aspects include roles, activities, relationships between roles, social integration, general structures, comparison between the textual structures with the factual ones, authority or power structures, relationships between activities and the goals to be achieved, aspects of solidarity, and patterns of power. Uphoff (1986), regarding the existence of institutional and organizational aspects, expressed, "Some kinds of institutions have an organizational form with roles and structures, whereas others exist as pervasive influenced on behavior." The two things here are organizations in the form of roles and structure and something that influences behavior. The last thing is the norms derived from the values that are living in a community group. Uphoff stated that institutions have two orientations, namely role-oriented and rule-oriented. However, they focus more on rules. He argued, "In general, institutions, whether organization or not, are complexes of norms and behaviors that persist over time by serving collectively valued purposes..... One approach to the study of institutions has focused on rules that shape behavior rather than on roles." Thus, it can be concluded that there are organizational aspects in institutions.

## **b. Institutional Transformation**

Transformation comes from the old French, 'transformation', which is taken from the Latin, 'transformationem' [nomina transformatio], which means 'change of form'. The term transformation refers more to the reality of the change process. A transformation does not just happen but through a process. Habraken (1976), cited by Pakilaran (2006), stated concerning the transformation process: (1) it means changes that occur slowly or little by little; (2) it is impossible to predict when the process will start and how long it will end, depending on the influencing factors; (3) it is comprehensive and sustainable; and (4) the changes that occur have a significant correlation with the emotional system (values) that exists in society.

The implementation of policies will lead to institutional transformation. The dynamic nature of institutions is caused by the changing values and culture of society along with the changing times. Therefore, institutions will change according to the conditions of the times. Manig (1991) argued that institutions change under the influence and pressure of many factors such as (1) demographic pressures; (2) increasing expectations among residents and changing their demands, changing trends in commercialization; (3) new technologies and innovations; (4) government intervention and reaction to government policies; and (5) internal social tensions arising from the interaction of the factors mentioned above. In line with Manig's opinion which states that one of the factors causing institutional transformation is government policy intervention, Yustika (2012) also suggested that institutional changes can also arise from changes in the demands of constituents or changes in the power of suppliers of institutions, namely government actors. Furthermore, Yustika (2012) also argued that institutional changes from the bottom side (demand) are the result of a struggle between actors, while institutional changes from the top side (supply) are the result of regulations set by parties who have authority, like the government.

## **c. Termination of the PNPM-MPd and Transformation of the UPK PNPM-MPd Institutions**

During the program period, the Activity Management Units (UPKs) served as revolving fund management institutions for community groups that were on loan at the district level. The management of the revolving fund must comply with the provisions of the Inter-Village Deliberation (MAD), which referred to the objectives and principles of the program. In managing revolving funds, the UPKs were supported by other institutions included in the UPKs' institutional structure, namely: the Inter-village Cooperation Agencies (BKADs), the UPK Supervisory Agencies (BP-UPK), the Verification Teams, the Funding Teams, and the Loan Restructuring Teams. Institutional and operational provisions were regulated in the Memorandum & Articles of Association of the BKADs as the highest institutions in the management of revolving funds. The UPKs every fiscal year were required to submit their work plan and accountability to BKADs or MADs (PNPM-MPd Technical Operational Instructions).

The termination of the PNPM-MPd in 2014 led to a phenomenon, namely institutional transformation, in the implementing agencies, namely the UPKs. Such institutional transformation was needed to preserve the legacy of PNPM-MPd, namely the revolving fund institutions and activities, to be still exist and run until the post-Program period. The transformation was a consequence the institutions must face because they became no longer within the scope of the Program. For this reason, the UPKs must comply with applicable regulations to continue revolving fund activities to preserve the results of the Program. Support for the institutional transformation of the UPKs was also carried out by the government through several ministries that sought to direct the preservation of the results of the PNPM-MPd by issuing circulars on the institutional arrangement of the UPKs. In several districts, local governments have also issued regional regulations related to the preservation of PNPM-MPd results.

Previous research related to the institutional models of the ex-PNPM-MPd UPKs was carried out by several researchers at different loci, including Haryadi *et al.* (2015) in Banyumas Regency, Isfahani (2015) in Sleman Regency, and Harseno, and RM *et al.* (2017) in Kendal Regency. In various regions, several forms of institutional models for the transformation of the PNPM-MPd UPKs emerged, including PT, LKM, Original UPK, PBH BKAD, BKAD Permakades, UPK Kelurahan, BUMDesma, Cooperatives, and Original UPK (legal entity). The institutional transformation models mentioned above varied, according to the considerations of each institutional manager or at the initiative of the Regional Government. In East Java Province, there were three institutional models of UPK transformation after the program termination (ex-PNPM-MPd UPKs), namely the Original UPK, BUMDesma, and the Legal Entity Association (PBH). The transformation of the UPKs' institutional models raised several problems that have implications in the implementation of basic institutional principles, organizational structure, and institutional management, as well as the mechanism for managing revolving funds for the community.

### 3. Methods

This study used a qualitative descriptive research method carried out in 2020. Data were collected through documentation, observation, interviews, and Focus Group Discussions (FGD) with research informants/resources, namely the institutional managers of the seven ex-PNPM-MPd UPKs that represented three institutional models of ex-PNPM-MPd UPKs in East Java Province, namely

1. the UPK of Dringu District, Probolinggo Regency;
2. the UPK of Maron District, Probolinggo Regency;
3. the BUMDesma of Kraton District, Pasuruan Regency;
4. the BUMDesma of Singosari District, Malang Regency;
5. the BUMDesma of Sumbergempol District, Tulungagung Regency;
6. the BUMDesma of Sendang District, Tulungagung Regency; and
7. the Legal Entity Association (PBH) of Candipuro District, Lumajang Regency.

In this study, the identification of problems in the ex-PNPM-MPd Activity Management Units (UPKs) was analyzed using the institutional concept proposed by Djogo *et al.* (2003), Uphoff (1986), Purwaka (2008), and Pejovich (1999) regarding aspects which are the institutional characteristics of the ex-PNPM-MPd UPKs. The aspects include 1) program philosophy, namely community empowerment, which is the "spirit" of the PNPM-MPd UPKs' institutions, 2) legality related to institutional legal entities, 3) organizational management related to memorandum and articles of association, rules, and institutional structures, 4) Human Resources (HR) related to the capacity of management and stakeholders, 5) finance related to services and development of revolving funds, and 6) business development related to the development of new business units and cooperation with third parties.

Data analysis was carried out through several stages, namely

1. Data Collection.
2. Data Reduction.
3. Data Display.
4. Conclusion drawing or Verification.

Data validation was done by triangulation, namely cross-checking the information through different times and tools by comparing (1) observational data with interview results; (2) what people say in public with what they say in private; and (3) the results of interviews with the contents of documents related.

### 4. Results and Discussion

The purpose of this study was to identify the problems faced by various institutional models of the ex-PNPM-MPd UPKs. According to Purwaka (2008), the important aspects of institutions include the legal basis of the institution; goals to be achieved; the existence of authority; facilities and infrastructure to execute the authority; human resources (HR) needed as the executors of the authority; human

resources (HR) who can determine the level of success of the implementation of the authority, main tasks and functions of the institution; the mechanism (framework) for the implementation of authority; inter-institutional networking, and; the results of the implementation of the main tasks and functions of the institution. The first to sixth items are the static aspects of institutions that are called the institutional arrangement, while the seventh, eighth, and ninth ones are the dynamic aspects of institutions that are called the institutional framework or mechanism. These important aspects were modified according to research needs, leaving six aspects to be studied: (1) philosophy (basic principles of empowerment), (2) legality (legal basis,) (3) organizational management, (4) human resources (HR), (5) financial performance, and (6) business development carrying capacity.

**a. Identification of Problems Based on Philosophical Aspect**

PNPM Mandiri is one of the national development programs for poverty reduction based on community empowerment in the form of a policy framework as a basis or reference for implementing poverty reduction. Community empowerment became the philosophy/initial foundation of the PNPM-MPd UPK institutions during the program implementation. Thus, based on the philosophical aspect, the problems found in the ex-PNPM-MPd UPKs were identified and assessed based on three field indicator conditions, including the partiality of revolving fund services to Poor Households (RTMs), community capacity building activities, and distribution of social funds.

The revolving fund activities during the program period targetted the productive Poor Households (RTMs) through the Women’s Savings and Loan (SPP) group and the Productive Economic Enterprises (UEP) group. The study found that after the program, several ex-PNPM-MPd UPKs (Original UPKs in Dringu and Maron Districts) distributed savings and loan (revolving funds) not to RTMs only but also to communities (within the sub-district) who could meet the requirements of individual loans in the form of collateral. The results of the interview showed that the reason for the management to offer individual loans was the availability of UPK Idle Funds that could be used to develop the savings and loan business unit.

After the program, the SPP/UEP groups do not only consist of RTM members. Non-RTM beneficiaries can also become their members. The results of the study stated that in the savings and loan business unit (revolving fund) at the original UPKs (in Dringu and Maron) and BUMDesma, the average number of RTMs served was 40%. Meanwhile, at PBH, the average number of RTMs served was only 20%. Institutional administrators stated that services to non-RTMs were carried out to develop the savings and loan businesses unit by expanding the target of loans that were considered more capable of repaying on time.

**Table 1.** Comparison of problems in the ex-PNPM-MPd UPK institutions based on philosophical/community empowerment aspect

No	Identificati on of Problems based on Philosophi cal Aspect	UPK of Dringu	UPK of Maron	BUMDes ma of Singosa ri	BUMDes ma of Kraton	BUMDes ma of Sen dang	BUMDes ma of Sumber gempol	PBH UPK of Candipu ro
1	Non-SPP/UEP Loans	Indivi dual loan	Indivi dual loan	Nil	Offered personal loan	Nil	Nil	Nil
2	Collateral for Loan	Collate	Collate	Nil	Nil	Nil	Nil	Nil

		ral for personal loans	ral for personal loans					
3	Percentage of services for RTMs for Savings and Loans activities (revolving fund)	40% for RTMs and 60% for non-RTMs	40% for RTMs and 60% for non-RTMs	40% for RTMs and 60% for non-RTMs	40% for RTMs and 60% for non-RTMs	40% for RTMs and 60% for non-RTMs	40% for RTMs and 60% for non-RTMs	40% for RTMs and 60% for non-RTMs

Source: Research data analyzed (processed by the researchers)

**b. Identification of Problems Based on Legal Aspect**

The results showed that the ex-PNPM-MPd UPK institutions in East Java were transformed into three forms, namely (1) Original UPK, (2) Joint Village-Owned Enterprises (BUMDesma), and (3) Legal Entity Association (PBH).

The Original UPK maintains the form of the UPK as it was in PNPM-MPd, both in terms of name, organizational structure, Standard Operating Procedures for managing savings and loan, even the use of the PNPM-MPd name/logo on facilities and activities carried out such as on office boards, management uniforms, and the loan application proposal document. The original UPK institutions in this study were found in Probolinggo, Dringu, and Maron Districts. The choice to maintain the institutional form of the UPK was the initiative of the UPK managers independently.

The institutional transformation of UPK into BUMDesma was chosen on the main basis, namely Law Number 6 of 2014 concerning Villages, in particular Articles 91 and 92 which provide opportunities for villages to collaborate by forming BUMDes owned by two or more villages (BUMDesma). Institutions in the form of BUMDesma in this study were found in Singosari District of Malang Regency, Kraton District of Pasuruan Regency, and Sumbergempol and Sendang Districts of Tulungagung Regency.

A legal entity association (PBH) is a legal entity of a collection of people established to realize certain common goals and objectives in the social, religious, and humanitarian fields that do not share profits with its members. The Legal Entity Association BKAD, a revolving fund management institution, is based on normative references related to Regulation of the Minister of Law and Human Rights number 3 of 2016 concerning Procedures for Submitting Applications for Legal Entities and Approval of Amendments to the Association's Articles of Association. The institutional transformation of BKAD which has been incorporated in this study was found in Candipuro District of Lumajang Regency.

At the time of the termination of PNPM-MPd, program implementing institutions at the district level held MAD, resulting in a Joint Regulation of the Village Head (Permakades) on the Protection, Management, and Preservation of the Results of PNPM-MPd Activities. This Permakades was the first to regulate the post-PNPM-MPd revolving fund institutions which are still used in the original UPKs as the basis for their institutional administration. The transformation of the ex-PNPM-MPd UPKs into BUMDesma was agreed through MAD and Permakades concerning the Establishment of Joint Village-Owned Enterprises. The transformation of the ex-PNPM-MPd UPK into PBH was agreed through the MAD process and continued with the ratification of the Notary Deed of the establishment of the BKAD institutions. A Notary Deed is one of the legal documents of institutions/companies recognized by the state by which it will be easier for the institutions to establish cooperative relationships with other institutions/agencies.

Some of the ex-PNPM-MPd UPKs that have become BUMDesma in Singosari District have attempted to legalize their business unit as a limited liability company (PT). The interviews with the management of BUMDesma Singosari stated that the legality of the business in the form of a limited

liability company is needed as a condition for entering into a cooperation agreement with a third party and because not all cooperation can be carried out only on behalf of BUMDesma. With the legality of business in the form of a limited liability company, business units can more easily enter into cooperation contracts with third parties because business units in the form of limited liability companies can act as legal/legally recognized legal subjects and can carry out legal actions such as entering into agreements. Research on the legality of savings and loan business units at the research location found that such business units at the ex-PNPM-MPd UPKs had legal business legalities like those of other general financial institutions.

**Table 2.** Comparison problems in the ex-PNPM-MPd UPK institutions based on legal aspect

No	Identification of problems based on legality	UPK of Dringu	UPK of Maron	BUMDesma of Singosari	BUMDesma of Kraton	BUMDesma of Sendang	BUMDesma of Sumbergempol	PBH UPK of Candipuro
1	Forms of Institutional Transformation	Not yet transformed (still in the form of the original UPK)	Not yet transformed (still in the form of the original UPK)	Having been transformed into a Joint Village-Owned Enterprise of "Singosari"	Having been transformed into a Joint Village-Owned Enterprise "Wahana Sejahtera"	Having been transformed into a Joint Village-Owned Enterprise "Sendang"	Having been transformed into a Joint Village-Owned Enterprise "Sumbergempol"	The Inter-Village Cooperation Agency (BKAD) of Kraton District has transformed by having a legally valid deed of establishment
2	Fundamentals of Institutional Administration	Permakades on Protection, Management, and Preservation of PNPM-MPd Activity Results in Dringu District	Permakades on Protection, Management, and Preservation of PNPM-MPd Activity Results in Maron District, but the document was not found during the field visit	Permakades about establishment of the Village-Owned Enterprise of "Singosari"	Permakades about establishment of the Village-Owned Enterprise of Kraton	Permakades about establishment of the Village-Owned Enterprise of Sendang	Permakades about establishment of the Village-Owned Enterprise of Sumbergempol	Notary Deed concerning the establishment of the Inter-Village Cooperation Agency (BKAD) of Candipuro District
3	Legality of Savings and Loan Business	Nil	Nil	Nil	Nil	Nil	Nil	Nil



	Unit (revolving fund)							
4	Legality of Non Savings and Loan Business (revolving fund)	-	-	Limit ed liability company (PT)	Nil	Nil	Nil	-

Source: research data analyzed (processed by the researchers)

**c. Problem Identification Based on Organizational Management Aspect**

The institutional structure of the original UPKs did not change much compared to that during the program period. It still consisted of the Inter-Village Cooperation Agency (BKAD), the Financial Management Unit (UPK), the UPK Supervisory Agency (BP-UPK), the Verification Team, and the Funding Team. However, there was a reduction in personnel of the Funding Team and an addition to the collection staff. Everything is still running according to the 2014 PTO PNPM-MPd.

In the ex-PNPM-MPd UPKs which had been transformed into BUMDesma, the institutional structure referred to Regulation No. 4 of 2015 concerning the Establishment, Management, and Dissolution of Village-Owned Enterprises. The BUMDesma institutional management consisted of Advisors, Supervisors, and Operational Executors. Operational executives were directly responsible for managing assets and all BUMDesma business units. They were appointed through a Joint Village Head Regulation (Permakades) through the Inter-Village Deliberation (MAD). They oversaw sections responsible for their respective business units.

The institutional structure of an ex-PNPM-MPd UPK having been transformed into PBH consisted of association managers, supervisors, and business unit administrators. An Inter-Village Cooperation Agency (BKAD) served as the administrator of Legal Entity Associations. It also acted as the superior institution in making decisions on managing revolving funds through the Inter-Village Deliberation (MAD). Under BKAD, there were a Financial Management Unit (UPK) and other supporting institutions, namely the UPK Supervisory Agency (BP-UPK), a verification team, and a funding team.

This study found that there were BKAD administrators in several ex-PNPM-MPd UPKs who were not administrators of BKAD at the district level (BKAD formed by the Village Law) in related locations. This condition often caused problems in the MAD accountability and budget planning carried out annually by ex-PNPM-MPd UPKs. Sometimes, to make a decision related to the activities of an ex-PNPM-MPd UPK, a re-MAD must be carried out.

The organizational instruments in the original UPK and PBH still refered to the PTO PNPM-MPd. In fact, it was found that there are SOPs that still use the 2014 SOPs, some of which are not in accordance with current conditions. In the ex-PNPM-MPd UPK which transformed into BUMDesma, many SOPs had been prepared and adapted to the conditions of institutional and business development.

**Table 3.** Comparison of problems in the ex-PNPM-MPd UPK institutions based on organizational management aspect

No	Identification of Problems based on Organizational Management	UPK of Dringu	UPK of Maron	BUMDes ma of Singosari	BUMDes ma of Kraton	BUMDes ma of Sendang	BUMDes ma of Sumbergempol	PBH UPK of Candipuro
1	Organizational structure	In accordance with (still using) PTO PNPM-MPd	In accordance with (still using) PTO PNPM-MPd	Based on Regulation No. 4 of 2015 concerning the Establishment, Management, and Dissolution of Village-Owned Enterprises. BUMDes ma institutional manager	Based on Regulation No. 4 of 2015 concerning the Establishment, Management, and Dissolution of Village-Owned Enterprises. BUMDes ma institutional manager	Based on Regulation No. 4 of 2015 concerning the Establishment, Management, and Dissolution of Village-Owned Enterprises. BUMDes ma institutional manager	Based on Regulation No. 4 of 2015 concerning the Establishment, Management, and Dissolution of Village-Owned Enterprises. BUMDes ma institutional manager.	In accordance with the Deed of Establishment of BKAD in which the organizational structure still refers to the PTO PNPM-MPd
2	BKAD Managers	The managers of the BKAD of UPK of Dringu were also of BKAD of Dringu District	The managers of the BKAD of UPK of Maron were also of BKAD of Dringu District	The managers of the BKAD of UPK of Singosari were also of BKAD of Singosari District	The managers of the BKAD of BUMDes ma of Kraton were not of the BKAD of Kraton District	The managers of the BKAD of BUMDes ma of Sendang were not of the BKAD of Sendang District	The managers of the BKAD of BUMDes ma of Sumbergempol were not of the BKAD of Sumbergempol District	The managers of the BKAD of BUMDes ma of Candipuro were not of the BKAD of Candipuro District

3	Organizational Instruments	The BKAD's memorandum and articles of association and institutional SOPs were still adopting PTO PNPM-MPd	The BKAD's memorandum and articles of association and institutional SOPs were still adopting PTO PNPM-MPd	Memorandum and articles of association of BKAD, memorandum and articles of association of BUMDes ma, and SOP for each work unit/business	Memorandum and articles of association of BKAD, memorandum and articles of association of BUMDes ma, and SOP for each work unit/business	Memorandum and articles of association of BKAD, memorandum and articles of association of BUMDes ma, and SOP for each work unit/business	Memorandum and articles of association of BKAD, memorandum and articles of association of BUMDes ma, and SOP for each work unit/business	Memorandum and articles of association of BKAD and institutional SOPs were in accordance with the Deed of establishment of the institution but still adopted the PTO PNPM-MPd
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Source: research data analyzed (processed by the researchers)

**d. Problem Identification Based on Human Resource Aspect**

The study found that most of the ex-PNPM-MPd UPK human resources/managers were “old actors”, namely the same people working at the UPKs during the program period. On the one hand, they had better competence in terms of organizational ability, experience, coordination, loyalty, and communication, apart from the historical factors as founders. On the other hand, they lacked capability in information technology and had stagnation of innovation due to lack of regeneration and subjective relationship culture in work management. Special treatment for Human Resources, therefore, must be carried out to optimize institutional performance.

The development of the number of human resources in the ex-PNPM-MPd UPKs was carried out according to institutional conditions. The ex-PNPM-MPd UPKs which transformed into BUMDesma mostly recruited new employees to fill job positions in new business units. In the original ex-PNPM UPKs, it was also found that special personnel were recruited to collect loans as an effort by the institutions to reduce the problem of installment congestion.

At the beginning of the termination of PNPM-MPd, the UPK association was still holding training and coordination activities about the future of the UPKs. This kind of training was attended by all UPK administrators throughout East Java. Based on the results of the research, post-program, the ex-PNPM-MPd UPK often coordinated both with other UPKs and with associations on the best form of institutional transformation and doing comparative studies of other transformed UPKs. This effort was carried out to determine the appropriate institutional form while waiting for the government's policy on it. However, capacity-building activities to increase the professionalism of HR such as pieces of training during the scheduled program period were no longer carried out. There were only two units of BUMDesma at the research location that hold training activities to increase the professionalism of HR, namely of Singosari and Sumbergempol. These training activities were held due to collaboration with other institutions and the recruitment of new employees.

**Table 4.** Comparison of problems in the ex-PNPM-MPd UPK institutions based on human resource aspect

No	Identification of Problems based on Human Resource Aspect	UPK of Dringu	UPK of Maron	BUMDes ma of Singo sari	BUMDes ma of Kraton	BUMDes ma of Sen dang	BUMDes ma of Sum bergem pol	PBH UPK of Can dipuro
1	Change of Human Resources (Managers )	Having not experienced a change of management since post-Program	There was shifting in the positions of the UPK management based on the results of the annual performance evaluation	Managers of UPK became managers of BUMDes ma	Managers of UPK became managers of BUMDes ma	Managers of UPK became managers of BUMDes ma	Managers of UPK became managers of BUMDes ma	Having not experienced a change of management since post-Program
2	The development of the number of Human Resources	No personnel added	There was a special personnel recruitment for loan collection	There was a recruitment of personnel for the Trading and Wholesale Business Unit	There was a recruitment of personnel for the Trading Business Unit	There was a recruitment of personnel for the Trading Business Unit	There was a recruitment of personnel for the Trading Business Unit	No personnel added
3	Post-Program Human Resources Capacity Building	Training by the association	Training by the association and comparative studies	Training by the association and training in collaboration with other institutions	Training by the association and comparative studies	Training by the association and comparative studies	Training by the association, comparative studies and training in collaboration with other institutions	Training by the association

Source: research data analyzed (processed by the researchers)

**e. Identification of Problems Based on Financial Aspect**

Credit collectibility is the classification of installment or loan payment status, including the interest. The study found that the savings and loan business unit (revolving fund) at the ex-PNPM-MPd UPKs experienced problems in increasing the collectibility. This problem was caused by the former collectibility that was still being taken into account at that time. The ex-PNPM-MPd UPKs strove to continue to collect loans with special strategies and policies, avoiding burdening the beneficiary groups who had difficulty in their debt repayments. In cases where the collectibility problem was caused by fraud, sanctions would be given in accordance with local wisdom.

Financial statements are information that describes the financial condition of a company and, furthermore, can be used as an illustration of its financial performance. Administration means the preparation and recording of data and information sequentially to provide data and information needed and make it easier to retrieve them either partially or completely. The study found that not all ex-PNPM-MPD UPKs had used a real-time financial and administrative transaction system that could be monitored online. Some of them still use the financial transaction and administration system applied during the program that was done manually with limited access. It has created problems such as data loss, limited access to monitor financial position, and other problems related to budget planning.

**Table 5.** Comparison of problems with the ex-PNPM-MPd UPK institutions based on financial aspect

No	Identification of Problems based on Financial Aspect	UPK of Dringu	UPK of Maron	BUMDesma of Singo sari	BUMDesma of Kraton	BUMDesma of Sendang	BUMDesma of Sumber gempol	PBH UPK of Candi puro
1	Post-Program Collectibility	Increased	Increased	Increased	Increased	Increased	Increased	Increased
2	Financial Reports and Administration	Having not used a real-time financial transaction system yet	Having not used a real-time financial transaction system yet	Having not used a real-time financial transaction system yet	Having not used a real-time financial transaction system yet	Having not used a real-time financial transaction system yet	Having not used a real-time financial transaction system yet	Having not used a real-time financial transaction system yet

Source: research data analyzed (processed by the researchers)

**f. Identification of Problems Based on Business Development Aspect**

The study found that the ex-PNPM-MPd UPKs having transformed into BUMDesma had non-savings and loan business units and collaborated with third parties. Non-savings and loan business units include shop units, service units, and online and wholesale trading units for basic food needs. Forms of cooperation with third parties include cooperation with companies (PT), forming Joint Business Holdings with other villages, collaboration with Community Groups (Pokmas), and collaboration with educational institutions or universities. The development of non-savings and loan units and kinds of collaboration

was done based on Permendesa PD TT Number 4 of 2015 concerning the Establishment, Management, and Dissolution of Village-Owned Enterprises. Referring to the Permendesa, Joint Village-Owned Enterprises (BUMDesma) could form business units and could enter into cooperation agreements with third parties. In the original UPKs, non-savings and loan business units and cooperation with third parties could not be developed because there was no underlying legal basis. Meanwhile, in PBHs, non-savings and loan business units and cooperation with third parties had not been developed due to limited human resources.

The results showed that some of the ex-PNPM-MP d UPKs experienced stagnancy in savings and loans activities (like BUMDesma of Singosari). The stagnancy was because group development was difficult to implement due to the competition between similar business units. However, the savings and loan business unit's activities were still running well and generating profits (surplus).

**Table 6.** Comparison of problems in the ex-PNPM-MP d UPK institutions based on business development aspect

No	Identification of Problems based on Aspects of Business Development Aspect	UPK of Dringu	UPK of Maron	BUMDesma of Singosari	BUMDesma of Kraton	BUMDesma of Sendang	BUMDesma of Sumbergempol	PBH UPK of Candipuro
1	Business Unit Development	Savings and Loan Business Unit (revolving fund) only	Savings and Loan Business Unit (revolving fund) only	Savings and Loan Business Unit (revolving fund) and Trading Unit (shop and wholesale)	Savings and Loan Business Unit (revolving fund) and Trading Unit (shop and cooperation with other institutions)	Savings and Loan Business Unit (revolving fund) and Trading Unit (shop)	Savings and Loan Business Unit (revolving fund) and Trading Unit (shop and cooperation with other institutions)	Savings and Loan Business Unit (revolving fund) only
2	Cooperation agreement or Memorandum of Understanding (MoU)	Not any yet	Not any yet	Cooperation in Wholesale Trade	Cooperation with Pokmas (KIM) in fisheries (Catfish)	Not any yet	Holding in a Joint Venture with a joint management system in UB Catur Rakasona which reached 4 villages	Not any yet

3	Development of Savings and Loan Business Unit (revolving fund)	Developed	Developed	Stagnant	Developed	Developed	Developed	Developed
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Source: research data analyzed (processed by the researchers)

**5. Conclusions**

Based on the results of the identification of problems faced by the ex-PNPM-MPd UPKs, it can be concluded that in general, the three institutional models, namely the Original UPK, BUMDesma, and PBH, still faced the same problems, including the lack of a solid legal basis for institutions, the dynamics of institutional management personnel and related stakeholders, higher collectibility, and stagnation of business development. The ex-PNPM MPd revolving fund management institutions that had been transformed into the three models still ran with the type of business, system, and procedures previously used in the PNPM-MPd, especially in the savings and loan business unit. Only BUMDesma had the advantage to develop other businesses other than the savings and loan business unit.

Further research is needed on the formulation of institutional models using the aspects of philosophy, human resources, legality, organizational management, finance, and business development to overcome the problems faced by the managers of the ex-PNPM-MPd revolving fund managing institutions especially after issuance of government regulations number 11 of 2021.

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