

# MANAGEMENT OF VILLAGE-OWNED ENTERPRISES FOR SUSTAINABLE PERFORMANCE IMPROVEMENT IN THE PROVINCE OF BALI

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## Abstract

Village Owned Enterprises are made into a social movement to drive the village people's economy. In the context of village-owned enterprises, human resource competence is very important to achieve business performance and sustainability. This construct refers to a source of competitive advantage in generating revenue with daily cash flow to recover input costs. To narrow the gap between the complexity and capability of managing a Village Owned Enterprise requires an ongoing process of applying knowledge, skills and resources. through the use of village funds in supporting the development of village economic enterprises, there are three important aspects of using village funds for the development of village-owned enterprises, namely capital, skills and entrepreneurship training and the development of production tools and facilities. Seeing this phenomenon, this study will examine the role of government in this case local government, human resource competence, technology application and community participation. This study used a quantitative method with a cross sectional design. This information measures the relationship between latent variables observed using a questionnaire and random sampling method. This study uses a set of standardized questionnaires. This study uses the Partial Least Square test. For the quantitative data analysis method using the Structural Equation Modeling analysis model, with the aim of realizing Village-Owned Enterprises as suppliers of village-owned products, growing trading businesses in villages, such as assets, sales and profits of Village-Owned Enterprises, creating markets for Micro, Small and Medium in the Province of Bali, certainty of optimal supervision such as controlling risk management and digitizing business, accelerating the economic independence of villages in Bali because it can become a source of Village Original Income, assisting the government in suppressing inflation by cutting the distribution chain and farmer corporations and can give birth to young entrepreneurs in every village in the Province of Bali.

## 1. INTRODUCTION

Village Owned Enterprises are business entities in the village, formed by the village government together with the village community. The purpose of the formation in the Regulation of the Minister of Villages, Development of disadvantaged areas and transmigration No. 4 of 2015 concerning the establishment, management and dissolution of village-owned enterprises Article 2 namely "The establishment of village-owned enterprises aims as an effort to accommodate all activities in the economic sector and public services managed by the village or cooperation between villages". The establishment of Village-Owned Enterprises must be initiated as a pattern to strengthen the economy of the village people. The village economic embryo must first be clearly identified. So that after standing, the activity continues according to its purpose. In some village-owned enterprises, they still use a "project approach" instead of being based on local strengths and needs. Village-owned

business entities as instruments to drive the community's economy have not yet become fully understood among local economic activities and village people.

Changes in people's behavior and perspectives are a solid foundation for the establishment of independent community institutions, through community empowerment so that they are able to act in accordance with dignity and are able to apply noble values in social life. The independence of community institutions is needed as a forum for the struggle of the poor, which is independent and sustainable in voicing the aspirations and needs of the community and is able to influence the decision-making process related to public policies at the local level so that they are more oriented towards the poor and realize good governance, in terms of the economic aspect, the environment, including housing and settlements, as well as from a social perspective (Wahyudin Kessa, 2015).

Development that prioritizes participation means development that provides opportunities for the people to participate in planning, implementing, supervising and being accountable, so that society is not seen as an object, but society is also seen as a subject of development. Through a participatory development approach, accountability, responsibility and transparency, the welfare of rural communities will be easier to realize. (Aluisius, H.P, 2007) states that it is often the poor who are directly affected by development that does not involve the community, therefore there is a need for accountability, coordination between institutions, both the central and village governments and related stakeholders, a participatory approach and the role of the national platform and regional issues is a big challenge for decision making that needs to be done as soon as possible. This aims to be able to run the Village Owned Enterprise program and be able to solve problems that are often encountered such as; (1) Village-owned business climate that is not yet conducive; (2) Limited information and market access; (3) Low productivity caused by low technology; (4) Limited capital; and (5) The low spirit and spirit of community entrepreneurship.

Village-Owned Enterprises are village-owned enterprises established on the basis of village needs and potential as an effort to improve community welfare. With regard to planning and establishment, Village-Owned Enterprises are built on community initiative and participation and are a manifestation of the participation of the village community as a whole, so as not to create a business model that is hegemony by certain groups at the village level. This means that these regulations are embodied in a solid institutional mechanism. Strengthening institutional capacity will be directed at having rules that bind all members.

In the context of Village-Owned Enterprises, human resource competence is very important to achieve business performance and sustainability. This construct refers to a source of competitive advantage in generating revenue (Morgan, Vorhies, & Mason, 2009) with daily cash flow to recover input costs. To narrow the gap between the complexity and capability of managing a Village Owned Enterprise requires an ongoing process of applying knowledge, skills and resources. Sumodiningrat (2009) states that economic growth is an indication of successful economic development. This cannot be separated from the competence of human resources as business implementers, by involving the active role of the community in developing villages with the aim of improving village public services, alleviating poverty, advancing the village economy, overcoming development gaps between villages and strengthening village communities as subjects of development (Aggadwita et al. al, 2017).

The performance of Village-Owned Enterprises is very broad with various challenges faced from various different perspectives such as the growth of Village-Owned Enterprises, the probability of Village-Owned

Enterprises and the performance of other Village-Owned Enterprises in improving the welfare of village communities. Wales, Gupta and Mousa (2013) that performance measures for business or business actors have various challenges due to multidimensional construction and the available literature on company efforts for performance is very broad with a large number of different perspectives, such as company growth, company probabilities and various performance company. Moreover, the importance of the various principles indicates the many possible measures of performance. For example, sales performance associated with rewards for salespeople leads to greater accountability in marketing management (Homburg, Artz, & Wieseke, 2012). From the point of view of business owners, company performance measures are useful for monitoring significant management results and behavior in order to improve performance (Garg, 2013). Market-based measures are also different from accounting measures. Market-based measures refer to shareholder expectations about the future, while the accounting measure reflects the assessment of the previous period.

## **2. RESEARCH METHODS**

This study used a quantitative method with a cross sectional design. This information measures the relationship between latent variables observed using a questionnaire and random sampling method. This study uses a set of standardized questionnaires. This study uses the Partial Least Square test. For quantitative data analysis methods using the Structural Equation Modeling analysis model. Data collection techniques used in this research are observation techniques, interviews and documentation studies. Meanwhile, Moleong (2011) explains that; Observation is a data collection technique that is carried out through an observation accompanied by recording of the condition or behavior of the research object; Interviews are conversations with the intention of gathering information related to the problems studied in this study; and Documentation is collecting data by viewing and recording progress reports that are considered relevant to this research.

## **3. RESULTS AND DISCUSSION**

One of the new approaches that is expected to be able to stimulate and drive the wheels of the economy in rural areas is through the establishment of economic institutions which are fully managed by the village community. This economic institution is no longer established on the basis of government instructions, but must be based on the wishes of the village community which departs from the potential which, if managed properly, will generate demand in the market. The establishment of village business entities is accompanied by efforts to strengthen capacity and is supported by regional (regency/city) policies that participate in facilitating and protecting village community businesses from the threat of competition from large investors. Considering that Village-owned enterprises are new economic institutions operating in rural areas, the community still needs a strong foundation to grow and develop. The foundation builder for the establishment of BUMDes is the Government, both central and regional. Village-Owned Enterprises in their operations are supported by Village monetary institutions (financing sector) as a sector that conducts financial transactions in the form of credit and deposits. If economic institutions are strong and supported by adequate policies, then economic growth accompanied by an even distribution of assets to the people at large will be able to overcome various economic problems in rural areas. The ultimate goal of establishing Village

Owned Enterprises is expected to be pioneers in bridging efforts to strengthen the rural economy.

Village-Owned Enterprises are pillars of national welfare, because Village-Owned Enterprises are none other than businesses established on the basis of a shared commitment by the village community to work together, work together and mobilize the people's economic strength in order to realize the welfare and prosperity of the village community. Types of businesses that can be developed through Village Owned Enterprises include social businesses through village drinking water businesses, village electricity businesses and food storages, rental business businesses through transportation equipment businesses, party equipment, conference halls, shop houses and land belonging to Business Entities. Villages, intermediary businesses through electricity payment services and village markets to market products produced by the community, businesses that produce or trade through ice factory businesses, liquid smoke factories, agricultural products, agricultural production facilities and ex-mining wells, financial business businesses through access to credit and lending, a joint venture as the parent of business units developed through the development of village boats and tourism villages.

In order for the data obtained in the research to be valid and reliable, of course it needs to be supported by instruments that are also valid and reliable. This research is a research with the main data source is primary data with a questionnaire as an instrument. Therefore it is necessary to test research instruments which include validity and reliability tests. Validity test is a measure that shows that the variable being measured is really the variable that the researcher wants to examine (Chin and Newsted, 1999), while reliability is a measure that shows that the measuring instrument used in research has reliability as a measuring tool. Reliability is measured through the consistency of measurement results from time to time (Harrison in Zulganet, 2006). Based on the results of an analysis of the score data of the respondents' answers, it can be presented in Table 1. The correlation value for all indicators  $> 0.30$ , the smallest value of 0.917 is indicator Y1.2 (6) and the largest for indicator X1.3 (3) is 0.963. Everything has a significance of less than 0.05

**Table: 1**

No	Indicator Code	Correlation	Significance	Note
1	X1.1	0,943	0,000	Valid
2	X1.2	0,959	0,000	Valid
3	X1.3	0,963	0,000	Valid
4	X1.4	0,929	0,000	Valid
5	Y1.1	0,908	0,000	Valid
6	Y1.2	0,917	0,000	Valid
7	Y1.3	0,948	0,000	Valid

Reliability testing in this study uses the Cronbach's Alpha coefficient. Nunally (1968) and Taufiq Amir (2015) state that a research instrument is identified as having adequate reliability if the Cronbach's Alpha coefficient is greater than or equal to 0.50. The processing results are listed in Table 2.

**Table: 2**

No	Variable	Cronbach's alpha	Note
1.	Business management (X1)	0,963	Reliabel
2.	Performance Improvement (Y)	0,913	Reliabel

In Table 2 it can be seen that all Cronbach's Alpha coefficients have values above 0.50. This means that all questionnaires as research instruments are reliable for measuring the variables. Based on the results of validity and reliability testing, it can be stated that all research instrument items are sufficient to be used as a data collection tool.

To find out the accumulative perceptions of respondents to each research variable, it is necessary to describe the respondents' perceptions of each research variable. Ferdinand (2011) explains that in order to be able to interpret a perception index, one can use the criteria three box method, namely the three box criteria range as follows: 10.00-40.00 percent is expressed as bad/low appreciation; 40.01-70.00 percent is stated as moderate/high appreciation; and 70.01-100 percent expressed as good/high appreciation (Ferdinad, 2011). In the following, the results of the analysis of the description of the respondents' perceptions of the research variables are presented for each variable, both exogenous and endogenous, which are explained below.

**Table: 3**

Indicator	Total %					Perception	Mean
	Respondent Rating Level						
	1	2	3	4	5		
X1.1	0,00	6,00	5,00	50,00	39,00	84,40	4,22
X1.2	1,00	5,00	7,00	41,00	46,00	85,20	4,26
X1.3	0,00	4,00	12,00	51,00	33,00	82,60	4,13
X1.4	0,00	5,00	9,00	43,00	43,00	84,80	4,24
Mean	0,25	5,00	8,25	46,25	40,25	84,25	4,21

Based on Table 3, it can be explained that the respondents' perceptions of the management variables of village-owned enterprises tend to be good/high with a perception index of 84.25. The management of village-owned enterprises in implementing activities is quite good so that they can improve the performance of village-owned enterprises.

**Table: 4**

Indicator	Total %					Perception	Mean
	Respondent Rating Level						
	1	2	1	4	1		
Y1.1	1,00	1,00	14,00	40,00	44,00	85,00	4,25
Y1.2	1,00	3,00	14,00	53,00	29,00	81,20	4,06
Y1.3	1,00	3,00	11,00	56,00	29,00	81,80	4,09
Mean	1,00	2,33	13,00	49,67	34,00	82,67	4,13

Based on Table 4, respondents' perceptions of the performance of village-owned enterprises with a perception index of 82.67 are classified as good/high. This means that the performance of Village-owned enterprises is very good in helping the community's economy in the Province of Bali.

**Table 5: Factor Loading Business Management Construct, Performance**

Connection Indicator –Construct	Original sampel	Standard Deviation	T Statistics	P Values
X1.1 ←X1	0,954	0,013	72,181	0,000
X1.2 ←X1	0,973	0,007	132,927	0,000
X1.3 ←X1	0,955	0,012	79,015	0,000
X1.4 ←X1	0,937	0,014	67,019	0,000
Y1.1 ←Y1	0,939	0,020	46,712	0,000
Y1.2 ←Y1	0,950	0,014	66,068	0,000
Y1.3 ←Y1	0,952	0,015	64,254	0,000

Table 5 shows that all indicators for all constructs have a loading factor (original sample) of more than  $0.6 \pm 0.50$ , with a probability of less than 0.05. Thus it can be stated that all indicators are proven to be valid in forming their respective constructs.

Evaluation of the inner model includes two main things, namely evaluating the goodness of fit and evaluating the effect of exogenous variables on endogenous variables through hypothesis testing. Evaluation of model fit (goodness of fit) and evaluation of the effect of exogenous variables on endogenous variables refers to the PLS SEM output. To analyze the direct effect of a construct on other constructs according to the research hypothesis, it can be seen by evaluating the Path Coefficients accompanied by T-Statistics and p-Value which can be presented in Table 6.

**Table 6: Direct Influence between Constructs in the Province of Bali**

Construct	Original Sample	Standard Deviation	T- Statistic	P Values	Significance
X1 → Y1	0,411	0,107	3,845	0,000	Significant
X2 → Y1	0,314	0,105	2,990	0,003	Significant
X3 → Y1	0,222	0,088	2,534	0,012	Significant
X4 → Y1	0,305	0,106	2,876	0,004	Significant
X1 → Y2	0,145	0,066	2,201	0,028	Significant
X2 → Y2	0,177	0,063	2,790	0,005	Significant
X3 → Y2	0,401	0,098	4,086	0,000	Significant
X4 → Y2	0,193	0,068	2,832	0,005	Significant
X1 → Y3	0,235	0,050	4,714	0,000	Significant
X2 → Y3	0,233	0,043	5,443	0,000	Significant
X3 → Y3	0,146	0,063	2,319	0,021	Significant
X4 → Y3	0,251	0,083	3,026	0,003	Significant

Based on Table 6, it can be seen that all exogenous variables or constructs have a direct effect on endogenous variables with P values less than 0.05 or with a t-count greater than  $\pm 1.96$ , and

with a positive relationship or sign. Thus statistically the research hypothesis has been proven, that good governance of Village-owned enterprises has a positive and significant effect on improving the performance of Village-owned enterprises in the Province of Bali.

Village-Owned Enterprises are pillars of national welfare, because Village-owned Enterprises are none other than businesses established on the basis of a shared commitment by the village community to work together, work together and mobilize the people's economic strength in order to realize the welfare and prosperity of the village community. Businesses that can be developed through village-owned enterprises include social businesses through village drinking water businesses, village electricity businesses and food storages, rental business businesses through transportation equipment businesses, party equipment, conference halls, shop houses and land owned by village-owned enterprises. , intermediary businesses through electricity payment services and village markets to market products produced by the community, businesses that produce and/or trade through ice factories, liquid smoke factories, agricultural products, agricultural production facilities and ex-mining wells, financial business ventures through access credit and lending, joint ventures as the parent of business units developed through the development of village boats and tourism villages.

Management of village-owned enterprises has a significant positive effect on the performance of village-owned enterprises. Village-owned business entities carry out two functions together, namely the economic function and social function. The economic function can be seen from the form of Village-owned enterprises as a profit-oriented economic institution and as a social institution because the activities carried out should be in accordance with the interests and needs of the village community. Regulatively, the existence of Village-owned enterprises as business entities in the village is relatively good. Mainly related to the legal basis to strengthen its activities. However, as a business entity engaged in the village economic sector, the legal basis is not everything, what is more important than that are initiatives and concrete actions. Such as strengthening the small businesses of villagers with product quality improvement schemes in the form of procuring equipment managed by Village-owned enterprises so that they are involved in product packaging, distribution, and marketing. In summary, Village-owned enterprises play a role in strengthening the production base at the village level in the Province of Bali.

As a suggestion for the government through Bank Indonesia to further encourage the management of village-owned enterprises in the Province of Bali to be more active in assisting the community in creating business opportunities so as to accelerate efforts to improve people's welfare. In addition to assistance, of course it must be directed at market potential. Village-owned enterprises do not only think about efforts to multiply money by lending funds to the community, but efforts to "look" at market potential are also very important. Some business opportunities that can be done are raising catfish, native chickens and ducks. Because in the midst of the mushrooming of fresh vegetables stalls and restaurants in the province of Bali, there is no need to bring in from outside the island of Bali.

## CONCLUSION

Management of village-owned enterprises has a significant positive effect on the performance of village-owned enterprises. Village-owned business entities carry out two functions together, namely the economic function and social function. The economic function can be seen from the form of Village-owned enterprises as a profit-oriented economic institution and as a social institution because the activities carried out should be in accordance with the interests and needs of the village community. Regulatively, the existence of Village-owned enterprises as business entities in the village is relatively good. Mainly related to the legal basis to strengthen its activities. However, as a business entity engaged in the village economic sector, the legal basis is not everything, what is more important than that are initiatives and concrete actions. Such as strengthening village small businesses with product quality improvement schemes in the form of procuring equipment managed by Village-owned enterprises to be involved in product packaging, distribution, and marketing. In summary, Village-owned enterprises play a role in strengthening the production base at the village level in the Province of Bali.

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