

**AN ANALYSIS OF VILLAGE OWNED
ENTREPRISES (BUMDES) WORK
PERFORMANCE IN SEMARANG DISTRICT
CENTRAL JAVA, INDONESIA**

MEIDA RACHMAWATI

**ASIA e UNIVERSITY
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AN ANALYSIS OF VILLAGE OWNED ENTREPRISES (BUMDES)
WORK PERFORMANCE IN SEMARANG DISTRICT CENTRAL JAVA,
INDONESIA

MEIDA RACHMAWATI

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ABSTRACT

BUMDes have a part in assembling possibilities that sustain the citizens' demands, open professional prospects, and improve society's interest. This study aimed to determine how organizational culture, organizational trust, leadership, and governance can affect BUMDes performance and how BUMDes contributes to performance optimization. A mixed method study was implemented in 194 BUMDes in Semarang Regency. A data was collected using questionnaires distributed to respondents, interview data, and the results of the Focus Group Discussion (FGD) and the previous study. All data were cleaned, coded, and analyzed with SEM PLS 3.0. Organizational Culture, Organizational trust, BUMDes governance, and BUMDes performance affecting each other which then improves BUMDes' managers' quality and quantity in Semarang Regency. The creation of employee confidence in the firm is the primary goal of enhancing BUMDes performance through great governance, thus management in a BUMDes situation must be able to do this. The second priority is to raise employee performance. It is essential to improve organizational commitment to employees and organizational culture. Results orientation, aggressiveness (prudence, competition, and level of reporting) are organizational culture traits that need to be improved. The third goal is to improve BUMDes' governance by putting accountability, independence, responsibility, and equality into action.

Keywords: BUMDes, culture, governance, leadership, trust, performance

APPROVAL

This is to certify that this thesis conforms to acceptable standards of scholarly presentation and is fully adequate, in quality and scope, for the fulfilment of the requirements for the degree of Doctor of Philosophy

The student has been supervised by: **Professor Dr. Juhary Ali**

Dr. Hery Suliantoro

The thesis has been examined and endorsed by:

Assoc Prof Dr. Frank Kiong

Asia e University

Examiner 1

Assoc. Prof. Dr. Abdul Kadir bin Othman

UiTM

Examiner 2

This thesis was submitted to Asia e University and is accepted as fulfilment of the requirements for the degree of Doctor of Philosophy.



Professor Dr. Noor Raihan Ab Hamid

Asia e University

Chairman, Examination Committee

(11 April 2022)

DECLARATION

I hereby declare that the thesis submitted in fulfilment of the PhD degree is my own work and that all contributions from any other persons or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part, for a degree at this or any other university. In making this declaration, I understand and acknowledge any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the programme and/or exclusion from the award of the degree.

Name : Meida Rachmawati



Signature of Candidate:

Date: 11 April 2023

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LIST OF ABBREVIATION

BUMDes	<i>Badan Usaha Milik Desa</i> (An organization that is owned by a village or village-owned businesses)
Dispermasdes	<i>Dinas Pemberdayaan Masyarakat dan Desa</i> (Community and Village Empowerment Service)
GCG	Good Corporate Governance
HR	Human Resources
Permendes	<i>Peraturan Menteri Desa</i> (Village Government Regulations)
SDGs	Sustainable Development Goals

CHAPTER 1

INTRODUCTION

This chapter was describe an overview of the background of this study, purpose of this study, the research problem, the conceptual framework, the statement of the hypothesis (the influence of organizational culture on BUMDEs governance, the effect of organizational trust on BUMDEs governance, the influence of leadership on BUMDEs governance, the influence of BUMDEs governance on BUMDEs performance, the influence of organizational culture on BUMDEs performance, the effect of organizational trust on BUMDEs performance, and the influence of leadership on BUMDEs performance), significance of the study, definition of terms, and scope of this study.

1.0 Introduction

National Development strives to construct a fair and prosperous civilization founded upon the 1945 Constitution of the Republic of Indonesia. After the era of centralism was finalized, it entered the devolution epoch which constructed districts/cities with a worthy point of empowerment. The government has close reach to local communities that have sufficient regional power to empower local resources. The township is the forefront of state development.

As a result, the authority keeps striving to encourage the townlet's economy. According to Law No. 6 of 2014, villages are encouraged to have a business entity that is useful for addressing community needs, particularly necessities, as well as the readiness of untapped hamlet resources and people who are capable of managing enterprise commodities as investments compelling the community's economy. One of them is BUMDEs.

BUMDes is a business entity granted by the government to villages so that the prospective that subsists in the settlement can be utilized to form business unit programs that involve the community in managing businesses and assisting village finance so that the establishment of BUMDes can support improving the community's economy.

Examining preparations and installations, BUMDes is built on residents' ambition and participation. The Village-owned Enterprise is also an embodiment of neighborhood participation altogether, consequently, it prevents the emergence of a business model where certain groups dominate at the village level. It indicates that a strong institutional mechanism has been used to execute these regulations. Having rules that apply to all members will be a key component of enhancing institutional capacity.

The existence of BUMDes itself in an area will result in attempts to expand the economy in the municipal so that it can prosper the community. BUMDes governance is carried out based on community agreement, the willingness, and ability of each community group togetherness, kinship, and mutual cooperation. BUMDes are adjusted to village prospects which are assembled based on business programs to be formed and developed, organizational structure, and BUMDes programs are formed according to community needs. BUMDes is an institution engaged in the economic and social fields to serve the community, especially in the business sector.

Until now, rural financial institutions have turn out to be a vital part of apprehending village economic freedom. BUMDes is a townlet financial association or agency initiated by the village administration which is governed independently through all village potential wealth.

There are several businesses run by BUMDes such as Social Business, Finance, Intermediary Institutions, Trade, Joint Ventures, Contractors, and Leasing Businesses.

BUMDes itself has 4 (four) central intentions, namely:

1. Rising the Village economy
2. Improving community potential management
3. Advancing village development and empowering the community

Village-owned enterprises or BUMDes have a legal basis, including Law No. 6 of 2014 which states that villages have fundamental and conventional rights to regulate beside managing the significances of the neighborhood population and portray a function in apprehending the principles of liberation.

According to Law No. 5 of 2014, BUMDes can be launched to meet village needs and potential. What is meant by the needs and potential of the village are:

1. The needs of the village, particularly the satisfaction of basic needs.
2. Some village resources have not been managed properly.
3. The availability of human resources eligible to run the commercial enterprises that power the local economy.
4. Some units develop into local residents' economic pursuits.

Conceptually, BUMDes empowerment is not much different from the concepts of community empowerment that are widely known today, for example, as an effort to reinforce elements of empowerment to increase the dignity of layers of society who are in a condition that is unable to rely on their strength so that they can get out of the trap of poverty and underdevelopment, or the process of enabling and self-reliant communities.

1.1 Background of the Problem

Village autonomy places the village as the target for implementing regional autonomy, in which the government sees its time for the downtown to carry out its autonomy. Its seriousness is marked by the passing of Law of the Republic of Indonesia Number 6 Year 2014 concerning Villages (abbreviated as Law No. 6 of 2014). Previously, Law Number 32 Year 2004 had mentioned village governance and village autonomy, so Law Number 32 of 2004 recognized the sovereignty possessed by the township. However, during that period of the implementation ground for the recognition was solely included in the Republic of Indonesia Government Regulation Number 72 the Year 2005 concerning Villages (abbreviated as PP Number 72 of 2005), the level of regulation was Government Regulation. In 2014, the era of village government began, beside the passing of Law No. 6 of 2014 as the legal umbrella for local autonomy.

Villages need to carry out various strategies that are required for the effective allocation of the village's potential and existing resources to support village development. Whenever possible, village development is aimed at enhancing the standard of living and maximizing the welfare of the local populace. One strategy that can be considered is Village Owned Enterprises (then abbreviated as BUMDes) formation. The village needs and potentiality should be adjusted in creating BUMDes. BUMDes establishment is a tactic that ought to be taken into account when attempting to develop downtown. The BUMDes have been in operation even in a few other village areas, where they have benefited residents and increased local revenue.

An institution at the village economic level is well-known as BUMDes aims to improve social welfare. BUMDes has become a necessary part of community economic empowerment forms at the village level since it was included in Law Number 6 of 2014. Regulation of Minister of Home Affairs Number 39 the Year 2010

necessitates the presence of BUMDes as centers for developing community economic programs by prioritizing the principles of openness and responsibility towards the society. BUMDes establishment is a breakthrough that should be appreciated. At least BUMDes is a new form of community business ownership that can encourage the process of economic equality in villages that have so far been neglected. When BUMDes will be established, however, is something that needs to be emphasized and taken into consideration. When it comes to a mechanism that has been regulated, laws and regulations must be followed. It is intended to give BUMDes a foundation of legal authority on which to build its operations. In essence, an economic organization at the village level that is sought to increase community welfare is BUMDes. BUMDes has become a significant part of the community's economic empowerment at the village level since it was included in Law Number 6 of 2014.

BUMDes is an institution that leverages the village economy by improving public services and optimizing village assets. In addition, it also appears that BUMDes has a role as a supporter of the business and economic activities of the village community by facilitating the village's productive economic activities. The contribution of Village-owned Enterprises (BUMDes) is to reduce poverty and can increase local revenue (PAD). BUMDes are monetary institutions that are managed and capitalized by the Village Authority thereby their presence can drive the village's potentiality (Wibisono et al., 2020). A BUMDes governance organization requires consistent, proficient, and expert human resources. The HR part is an important part of conducting the operative movements of BUMDes (Aprillia et al., 2021). Nevertheless, issues with limited HR management of BUMDes, such as the existence of multiple statuses and remaining focused further on the primary job than managing BUMDes in a focused manner, are still present in the field. Another finding was

BUMDes' lowly capability of manpower, which is evident in the employees' average academic backgrounds and lack of qualifications. (Wimba, 2021).

The background of village-owned Enterprises establishment of is fair and equitable economic development. The existence of abundant potential resources has encouraged the government to invite villages to start a Village-owned Enterprises known as BUMDes. According to The Regulation of the Minister for Villages, Development of Disadvantaged Areas and Transmigration of the Republic of Indonesia No 4 Year 2015 article (1) of the Republic of Indonesia Government (2015), Village-Owned Enterprises, hereinafter described as BUMDes, are companies whose wealth is wholly or largely affiliated with villages through a direct contribution from village assets which are separated for the purpose of property management, services and other enterprises in rural areas the most possible prosperity of the village communal. The creation of BUMDes as a forum to house entire village actions in the economic sector or community facilities, where the management is carried out by the residents and could even be carried out by a partnership between villages. The establishment of BUMDes is also inseparable from the government's goal of developing a village as described in the Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration of the Republic of Indonesia Number 4 of 2015 article (2) Government of the Republic of Indonesia (2015) of BUMDes formation namely: (1) increase hamlet economy; (2) To optimize village assets and make them useful for village welfare; (3) escalating community efforts in the management of the village's economic potential; (4) Working with villages and/or with third parties to develop a business cooperation plan; (5) inventing market prospects and systems to assist the citizens to public service demands; (6) generating occupation prospects; (7) increasing the prosperity of the community by

advancing public utilities, growing and equalizing the village budget; (8) enhancing village society earnings and original revenue.

BUMDes as a village economic institution, has a precise strategic function in overcoming township poverty because BUMDes is established as one of its tasks to alleviate poverty. The reality is that most of the townships in Indonesia do not yet have empowerment and are classified as penniless and impoverished. The village has the empowerment to carry out community empowerment, build infrastructure and services for village communities, and overcome poverty in the village.

The real condition of the problem of poverty can also be seen in one of the locations that the author observed, namely in Semarang Regency, which is one of the problems that must be solved at this time. As we know, according to BPS data, the percentage of poor people in Semarang Regency in 2022 is 7.27 percent and is in 6th position for the Regency/City with the smallest percentage of poor people. Under Semarang City at 4.25 percent, Salatiga City (at 4.73 percent), Jepara Regency (at 6.88 percent), Pekalongan City (at 7.00 percent), and Magelang City (at 7.10 percent).

The reality of existing poverty is exacerbated by the Covid-19 pandemic situation that occurred in March 2020. The pandemic situation gave birth to the phenomenon of new poor people so the number of poor people is increasing. Such poor conditions need proper management, one of which is through BUMDes. Village poverty alleviation is already the obligation of the village authority and other village populations. Hopefully, with BUMDes and empowerment is done by the village government along with BUMDes, poverty alleviation can be reduced and even overcome with the capabilities possessed by villages and BUMDes.

One example of poverty alleviation efforts through BUMDes carried out in the Semarang district area is BUMDes collaborating and collaborating with communities that have home industries; therefore, the community is capable and empowered to meet their basic needs, and can even send their sons and daughters to study at the university level. Tall. The local authority and village community collaborate to increase the job of BUMDes to improve the community's economy.

A manifestation of the management of the village's productive economy in a cooperative, participatory, emancipatory, transparent, accountable and sustainable way is the creation and management of BUMDs. For this reason, it requires serious BUMDes governance so that it can run independently, effectively, and professionally. Some businesses categories that could be conducted by BUMDes in Semarang Regency are:

a. General Business/ *Serving*.

Doing service jobs to residents so that they get countless social advantage. Drinking water management, waste processing, and so on, is included in these kinds of business.

b. Financial/ *Saving*.

In order to help residents easily access capital, BUMDs are allowed to set up financial institutions with the lowest interest possible.

c. Leasing Company/ *Renting*.

To make it easier for people to obtain the various equipment and supplies needed by running a rental service, for example, construction rental, equipment for event, tractor rental, sports equipment rental, and so on.

d. Intermediary Agency/ *Brokering*.

BUMDes act as intermediaries between merchandises manufactured by populations in the broader marketplace, thus, BUMDes shorten the commodity supply channel to the mart.

e. Trade Transaction.

The BUMDs are responsible for the marketing of goods and services required by the Community which so far could not be done individually by its inhabitants. For instance, BUMDes establishes a mini-Gas Station and a mini market in the village.

f. Joint Venture/ *Holding*.

BUMDes are building an Integrated Market System, which will see a lot of business in the village. In addition, BUMDes manage village tourism and provide maximum access to residents who will be able to perform a variety of roles required in tourist business activities.

g. Contractor/ *Contracting*.

Running a partnership work pattern in diverse village activities such as village project implementers, suppliers of various materials for village projects, cleaning service providers, and others.

Once the strategic role of BUMDes is to be able to improve the standard of living of the community, BUMDes must always exist in showing its performance. Some BUMDes are successful and can motivate the community, to be empowered and able to produce, so that BUMDes can market their products. The government strongly supports the existence of BUMDes can provide benefits for poverty alleviation in the village. Not all BUMDes are currently running and able to act like other BUMDes in Indonesia. However, all of this is due to the condition of human resource support in the village, where not all of them have the ability and competence to be able to manage

BUMDes. For this reason, the government, through the Ministry of Villages, provides directives that each village must have a village assistant who has competence, or each sub-district has 1 or 2 village assistants who can assist in several villages with a regulatory schedule system so that they can act and act, in mentoring seriously and provide benefits to society. However, all of this requires the seriousness of the village officials and the village community, namely themselves, because, without their support, it would be impossible for assistance to provide benefits. Assistance funds for villages are borne by the Regency/City, in this matter, the Village Community Empowerment Service in each Regency and City.

The problem of Human Resources (HR) has a profound impact on succeeding BUMDes target which preferably require professional, skilled, and tolerant HR. The requirement is needed in BUMDes governance therefore can motivate the society to contribute in advancing BUMDes. The HR role is essential for all organizational activities and it forms an integral part of the planning process, as well as its elements that determine what organizations achieve in their objectives.

Human beings performed as actors or participants in an organization execute a series of activities, then by itself, human behavior is an important factor in the organization's performance contained in the business. Two major factors have an impact on efforts to improve performance, in particular the company's internal as well as external factors. The well-management of the company is including as internal factors, while the external factors that can influence the company's performance involve the environment, universal economic circumstances, and local authority rules.

BUMDes does not exist exclusively, but BUMDes is established through village regulations, which are prepared by the Village Head together with the BPD which is managed independently. However, it is still in the patronages of the Village