

Critical Success Factors for BUMDes: Case Study In Magelang Regency

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Abstracts: BUMDes is social entrepreneurship owned by the village with the primary capital from allocating village funds, intending to manage the village's potential to gain profits and provide social benefits for the village community. This study aims to examine the effect of human resources, community participation, government participation, acceptance of technology, organisational culture, and business feasibility on the success of BUMDes in Magelang Regency. The BUMDes studied were 151 BUMDes in Magelang Regency using the survey method. The results showed that factors other than human resources had a significant effect on the success of BUMDes in the Magelang Regency. In contrast, the human resource factor has no significant impact on the success of BUMDes in the Magelang Regency.

Keywords: *BUMDes, human resources, community participation, government participation, technology acceptance, organisational culture, and business feasibility*

Introduction

Indonesia is a vast archipelagic country with the fourth largest population globally. This condition makes centralised development to promote people's welfare less than optimal. Building from the periphery is the right concept to help optimise development. Building Indonesia from the edge is carried out by strengthening the region through developing and strengthening rural communities' welfare. This concept is contained in President Joko Widodo's agenda during his candidacy in 2014 called Nawa Cita (Nine Agenda). This development concept is the government's commitment to creating a just and equitable economy (<https://setkab.go.id>, 2019).

The issuance of Law no. 6 of 2014 concerning Villages is momentum to organise a national development strategy starting from the village. This law changes the paradigm of village regulation, and the village is used as the spearhead of the development and improvement of community welfare. The village is given the authority and sufficient financial assistance to

manage all its potential to help the village create a prosperous society

The government increases the transfer budget to the areas and village funds every year to support development in the regions, especially in villages. Transfers of village funds began in 2015 with IDR 20.67 trillion. Then in 2016, the total budget increased to Rp 46.98 trillion. Furthermore, in 2017 and 2018, the total budget was Rp. 60 trillion, respectively. In 2019, the budget increased to IDR 70 trillion (<https://nasional.kompas.com>, 2019).

Magelang Regency is one of the regencies in Central Java Province, which has 21 sub-districts, 367 villages and five sub-districts. Magelang Regency is located between the economic route crossing, namely Semarang-Magelang - Purwokerto and Semarang-Magelang-Yogyakarta-Solo. At the intersection of economic routes, its strategic location facilitates accessibility and encourages economic development in Magelang Regency. In the Amendment to the 2019 Magelang Regency Regional Government Work Plan (RKPD), it is

stated that Magelang Regency is designated as a Borobudur National Strategic Area and a Provincial Strategic Area. Each region in Magelang Regency can be developed, managed, and utilised by the village to improve community welfare.

Village economic development is based on local village potential as outlined in regional development planning, which is carried out by establishing and developing Village Owned Enterprises (BUMDes). The number of BUMDes in Magelang Regency in 2019 was 151 BUMDes and received village funds of more than IDR 300 billion. The Magelang Regency Community and Village Empowerment Service classify BUMDes into four levels: Basic, Growing, Developing, and Advanced. The classification is based on managing and impacting BUMDes in communities and villages. In Magelang Regency, only four BUMDes are included in the advanced level, namely BUMDes located in Borobudur, Karangrejo, Sambak, and Sawangan. With many BUMDes that have not yet reached the Advanced level, this study will examine what factors drive the success of BUMDes in Magelang Regency.

Literature review and Hypothesis Development

Social Entrepreneurship Theory

According to Perrini and Vurro (2006:4), social entrepreneurship is a dynamic and innovative process to solve existing social problems to provide social value and benefits for the community. The practice of social entrepreneurship is a potential alternative development that encourages the community to be involved in the process so that existing social problems are solved through the development process.

Social entrepreneurship has three essential aspects: human, profit, and social. Bielefeld (2009) says that there are several forms of social entrepreneurship, namely: 1) non-profit organisations that earn income or profits; 2) a non-profit or for-profit organisation with a balanced concern between social mission and profit-seeking, and 3) non-profit organisations

that focus on the role of social responsibility. Social entrepreneurship is one of the concepts that underlie the formation of BUMDes. If success is measured through financial performance in the ordinary concept of entrepreneurship, then in the idea of social entrepreneurship, success is measured through the benefits received by the community.

BUMDes

In the Law of the Republic of Indonesia No. 6 of 2014, Village-Owned Enterprises (BUMDes) is defined as business entities whose entire or most of the capital is owned by the village. Village assets in BUMDes are separated from assets under local government regulations. In addition, BUMDes capital can also come from assistance funds from the provincial government or district government as co-administration tasks. While Ibnu (2018) explains that a BUMDes is said to be successful (advanced) if: BUMDes profit or profit and assets increase consistently; expanding networks and collaborations; increased satisfaction of BUMDes managers; and village community satisfaction increases.

Human Resources

According to Nawawi (2011:40), human resources are an asset in the form of potential that becomes capital within the organisation that can be changed physically or non-physically to realise the organisation's existence. Human resources are critical factors for a business/organisation because human resources are vital in developing a business/organisation.

According to Mangkunegara (2000:67), human resources can determine organisational success by having these factors: knowledge, skill, ability, and motivation. Knowledge is the ability of employees oriented to intelligence, thinking power, mastery of knowledge and broad insight. His level of education can influence a person's knowledge. However, someone who has a high level of education does not necessarily have extensive knowledge. The knowledge possessed can also be affected by the information received and what is seen from various media. The second factor is mastery in certain fields owned by

employees, including communication skills, conceptual skills, and technical skills. The third factor is the ability, namely, a person's capacity to carry out various tasks in his work. A person's ability is formed from multiple competencies. Some examples of the skills needed in managing BUMDes include the ability to manage village potential and the ability to manage village funds. The last factor is motivation, namely, an impulse or attitude related to a work situation. Positive encouragement to the existing work situation will produce high motivation, but on the contrary, the negative incentive will create low motivation in work.

Human resources are assets that BUMDes need. The knowledge, skills, abilities, and motivation of human resources are required by BUMDes to develop their business. Sofyan et al. (2019) say that human resources positively influence the success of BUMDes through their skills, level of education, skills, and other things. Likewise, Kurniasih et al. (2019) explained that the management capabilities of human resources positively influence the success of BUMDes, one of which includes the ability to implement strategies. Therefore, the first hypotheses in this study are:

"The human resources owned by BUMDes will help the success of the BUMDes business."

Society participation

According to Karianga (2011), community participation is a process in which the entire community shapes and is involved in all development initiatives. The involvement can be in statements or direct actions such as equity participation, participation in activities carried out or providing input (ideas). Karianga (2011:233-240) also said that community participation can be assessed using the CLEAR model by evaluating how the community responds in a development. According to Lowndes, Pratchett, and Stocker (2009:10), the community response can be assessed by the following five things: can do, like to, enabled to, asked to, and responded to.

'Can do' (capable) where the community has the resources, knowledge, and skills to participate. 'Can do' can also mean that the community is given the space to engage with the skills or resources. While 'like to' (want) where the community feels part of the development or project, the desire to participate will be stronger. Trust, good relationships, and a sense of belonging will give a sense of comfort and a willingness to participate. It will allow both parties to work together and coordinate well. The third thing is 'enabled to', where the community can participate. Participation opportunities are open for people who want to be involved and are not limited to certain people. The fourth thing is 'asked to', where the community participates through a particular forum, network, or opportunity. Citizen participation, in this case, can be in the form of giving opinions on the planning process or providing feedback on the implementation of development. The last thing is 'responded to', where the community can see evidence that their views are also considered.

Community participation is needed by BUMDes, because BUMDes is a business entity owned by rural communities with principles from the community, by the community, and for the community. For this reason, the management of BUMDes needs to involve the community, even though there are managers responsible for running the business and managing BUMDes. Community participation in suggestions, input, and criticism is considered in making business decisions by BUMDes managers. Another form of community participation, namely capital, is also needed to develop a BUMDes business. Ihsan (2018) explained that community participation helps BUMDes carry out activities on target and achieve goals. Kurniasih et al. (2019) argue that community participation in the form of contribution of ideas or involvement in supervising the running of BUMDes has a positive influence on the success of BUMDes. Based on the description above, the second hypothesis in this study is:

"Community participation supports the success of BUMDes."

Government Participation

BUMDes is one form of Indonesia's economic development through the minor sector, namely the village. BUMDes, which is expected to improve the welfare of the community and village independence, needs to be supported by all parties in various ways, one of which is support from the government. The form of support or the role of the government for BUMDes, according to Sukasmanto (2014:83), can be seen from capital support, training and development, mentoring. Capital support from the government can be from business support facilities and infrastructure. Meanwhile, training and development can take the form of providing BUMDes management training to BUMDes managers. At the same time, an assistant can be a supervisor from the government and a companion to improve business quality. All forms of government support are provided so that BUMDes can successfully run their businesses and provide benefits to village communities. According to Sanusi (2015), government support is an external factor that determines the success of BUMDes. Semetara Ihsan (2018) found that the support provided by the government in the form of financial assistance and training for BUMDes employees or managers had a positive influence on the success of BUMDes. Based on the reasons stated above, the third hypothesis in this study is:

"Government participation plays a role in the success of BUMDes."

Acceptance of Technology

Hartono (2007) explains that technology has provided many conveniences in the business world, such as ease of data processing and information management, ease of marketing products, and ease of communicating and disseminating public information. Technology can improve market information to increase product marketability and business productivity.

The acceptance of technology by organisations or individuals varies. Acceptance of a technology is usually based on the perceived benefits and convenience of using technology.

User behaviour and attitudes in accepting this technology can be assessed using the Technology Acceptance Model (TAM). Davis (1989) explains that the Technology Acceptance Model (TAM) is a model for predicting how technology is accepted by users and explaining the behaviour and attitudes of information technology users based on beliefs, attitudes, interests, and behavioural relationships. Information technology users will arrive at the acceptance stage of information technology (Acceptance IT) after going through the steps of perceived usefulness and perceived ease of use after using information technology.

Technology is one of the key factors influencing the success of small and medium enterprises (Ghosh, 2001). The existence of technology can affect the success of BUMDes because technology helps BUMDes to be more competitive with its competitors (Sanusi, 2015). The technology used by BUMDes is a technology for communication in the form of social media, which is used as a medium to promote BUMDes business products. Social media makes the marketing reach of BUMDes products wider, which is expected to increase the sales turnover of these BUMDes products. Based on the description above, the fourth hypothesis in this study is:

"Acceptance of technology supports the success of BUMDes."

Organisational culture

According to Robbins (2006:279), organisational culture is the togetherness embraced by members that characterise the organisation differently from other organisations. Togetherness, in this case, is valued in an organisation that is then carried out together. Organisational culture is a value that exists and is developed in an organisation to form habits and basic philosophy, which ultimately becomes the rules for thinking, acting, and making decisions to achieve organisational goals.

Excellent organisational culture and firmly rooted in the organisation encourage the organisation to develop better. Organisational culture, according to Robbins (2006:280), can be seen from:

- Innovation and risk-taking, namely the extent to which the organisation can motivate its members to provide innovative ideas and take risks to create something new and reward its members who dare to take risks.
- Pay attention to details, namely how the organisation makes employees show accuracy in analysis and pay attention to things in detail.
- Results-oriented, i.e. managers focus on the results obtained.
- Human-oriented, i.e. decisions taken by managers are made by taking into account the impact on people in the organisation.
- Team-oriented, namely how teamwork is organised by strengthening relationships and communication between team members.
- Aggressiveness, namely the extent to which members are severe and persistent in carrying out the organisational culture as best they can.
- Stability is how the organisation can maintain the stability of implementing organisational culture.

Organisational culture in the form of integration in management and a shared commitment to achieving business goals is also a driving force for success in small and medium enterprises (Ghosh, 2001). Organisational factors are the key to the success of BUMDes performance, one of which is the application of the right organisational culture (Sofyani, 2019). Based on the two research results, the fifth hypothesis in this study is:

"Organisational culture plays a role in the success of BUMDes."

Business Feasibility

A feasibility study is a way to determine whether a business that will be run can be successful or not and the extent to which the business can provide benefits (Husnan and Suwarsono, 2000:4). The notion of success in a community-owned business can be interpreted as absorption of labour, utilisation of resources owned by the environment, and other things that are considered to provide benefits to the broader community.

Each village has its characteristics and advantages. It is essential to conduct a feasibility study so that the business form follows the potential and conditions of the village according to the needs of the community and has a positive impact on the village community and the BUMDes itself. BUMDes, which were established by adapting to the community's needs, are expected to provide social benefits, especially opportunities to open businesses. Ibrahim (2009:1) explains that a business is said to be feasible when the business is considered to provide benefits after going through various stages of feasibility studies. The benefits that are used as indicators are financial benefits and social benefits. Meanwhile, Kotler and Armstrong (2001: 304) explained that the social benefits could be assessed through several factors, namely: opening of job opportunities; increase in income in the surrounding environment; increase in supporting infrastructure, and the surrounding environment regardless of backwardness. Based on the description above, the sixth hypothesis in this study is:

"Business suitability with business potential (business feasibility) greatly supports the success of BUMDes."

Research methods

This research is quantitative research with a descriptive approach. Research data were collected based on questionnaires and interview results. The population in this study was all BUMDes in Magelang Regency, with 151 BUMDes. Respondents for each BUMDes were 3-4 people. Short interviews with Kadispermades, the community, and employees or managers of BUMDes were also conducted to obtain additional information needed.

Data analysis method

A multiple linear regression test is used to test the hypotheses that have been stated above. It is designed to examine the influence of human resources, community participation, government support and participation, acceptance of technology, organisational culture, and business feasibility on the success of BUMDes in

Magelang Regency. The analytical model used is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_n X_n + e$$

Where :

Y = Success of BUMDes

X1 = Human Resources

X2 = Community Participation

X3 = Government Participation

X4 = Acceptance of Technology

X5 = Organizational Culture

X6 = Business Feasibility

α = constant

β = variable regression coefficient

Result and Discussion

The F table value used as the critical value in this simultaneous hypothesis test is 2.16, which is obtained from the F distribution table with df1 = 6 and df2 (n-(k+1)) = 144 at a significance level of (α) 5%. The test results show that the significance value of F is less than = 0.05, and the calculated F value is greater than the table F more minors. It means that the hypothesis is accepted, namely human resources, community participation, government participation, acceptance of technology, organisational culture, and business feasibility simultaneously have a significant effect on the success of BUMDes at a significance level of = 0.05.

Tabel 1. F Test

ANOVA ^a					
Model		Sum of Squares	df	Mean Square	F
1	Regression	174.613	6	29.102	27.867
	Residual	150.380	144	1.044	
	Total	324.993	150		

From the results of the T-test (Table 2), the regression equation formula is obtained as follows: $Y = 3.649 + 0.065X_1 + 0.178X_2 + 0.274X_3 + 0.145X_4 + 0.329X_5 + 0.293X_6 + e$. From the T-test results, it is known that only human resource factors have no significant effect

on the success of BUMDes in the Magelang Regency. Meanwhile, community participation, government participation, acceptance of technology, organisational culture, and business feasibility significantly affect the success of the BUMDes.

Tabel 2 T-Test

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	3.649	.799		.001
	sumber_daya_manusia	.065	.061	.105	.286
	partisipasi_masyarakat	.178	.045	.449	.019
	partisipasi_pemerintah	.274	.079	.398	.023
	penerimaan_teknologi	.145	.071	.267	.027
	budaya_organisasi	.329	.086	.522	.041
	kelayakan_bisnis	.293	.094	.447	.022

a. Dependent Variable: keberhasilan_bumdes

Community participation in the management of BUMDes in Magelang Regency can be seen from the contribution of suggestions and ideas in determining the business carried out by BUMDes and overcoming the problems faced. On the other hand, BUMDes also provides sufficient space for village communities to participate in any form to support the success of BUMDes. This condition strongly supports the success of the BUMDes.

In addition to community participation, the Magelang Regency government, through the Village and Community Empowerment Service (Dispermades), is also very active in fostering BUMDes, namely by providing business management and accountability training BUMDes managers, as well as assisting BUMDes in running their business. The efforts made by the Magelang Regency Government have greatly helped the success of BUMDes in its area. BUMDes in Magelang Regency has used social media to introduce and sell products to the public with a broader reach. Through social media, BUMDes products in Magelang Regency are better known to the broader community.

The value of togetherness in managing and developing that is firmly held by BUMDes managers and the community and government as stakeholders are the capital for the success of BUMDes. Besides that, working carefully and efficiently is also continuously growing, and innovative ideas or proposals are rewarded. All of this encourages BUMDes managers to keep trying to advance BUMDes. However, the value of togetherness and cooperation embraced by BUMDes, which is following PP No. 11 of 2021, makes values owned by individual human resources not have a dominant role in the management of BUMDes. All BUMDes activities are run jointly, and no one is trying to highlight their abilities.

Conclusion

Based on the multiple linear regression test results above, it can be seen that organisational culture factors have the most significant influence on the success of BUMDes in Magelang Regency, followed by business feasibility factors, government participation, community

participation, and technology acceptance. At the same time, the human resource factor does not affect the success of the BUMDes. It is because BUMDes in Magelang Regency prioritises the value of togetherness in running their business.

The conclusions above are drawn from the results of hypothesis testing based on the data obtained in the study. However, the authors realise that there are several limitations in this study, namely, the data obtained from the questionnaire contains the possibility of bias. In addition, the research was conducted in only one district, where the community's social values were relatively uniform and the assistance provided by the local government so that the management of BUMDes in the district was somewhat similar.

For researchers who will research the same topic, it is better to do it in several regions with different social values of the community, also adding other variables such as leadership style, because the role of leadership in an organisation is also essential. In addition, if possible, observations should be made at the research location so that more accurate data support the conclusions of the research results.

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