

## OPTIMIZING THE PERFORMANCE OF VILLAGE OWNED ENTERPRISES

Volume: 2  
Number: 3  
Page: 155-164

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### Article History:

Received: 2021-10-25  
Revised: 2021-11-15  
Accepted: 2021-11-18

### Abstract:

This study aims to build a model for optimizing the performance of Village Owned Enterprises in the West Halmahera Regency. As a result of all that the existence of BUMDes has not been able to contribute to Village Original Revenue and improve the welfare of the village community as expected by the Village and the Community. To achieve this goal, the researcher used a qualitative approach with descriptive analysis methods. The results study found two findings that were effective for optimizing the performance of BUMDes. The first finding is that BUMDes must ensure market opportunities, availability of raw materials, product competitiveness, and product uniqueness to develop it is business. The second finding, using the AHP method, it is recommended that the Village of Guaemaadu develop the superior potential of the coastal tourism-based village industry; Hydroponic Farming; Coconut oil; Village Shop; Crafts from Bamboo; Coconut Collector; Hospitality; Processed Bananas; Nature Tourism and Village Bank.

### Keywords:

Dysfunctional audit behaviour, Public Accounting Firm

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Cite this as: Suwito SUWITO, & JANNANG, A.R . (2021), "Optimizing The Performance Of Village Owned Enterprises", International Journal of Environmental, Sustainability, and Social Sciences, 2(3), 155-164



## INTRODUCTION

Village-Owned Enterprises (BUMDes) in the Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration No. 4 of 2015 (PERMENDES No. 4 of 2015) concerning the Establishment, Management and Management, and Dissolution of Village-Owned Enterprises, it is explained that BUMDes is a business entity whose capital (partially or wholly) is owned by the Village through direct participation from village assets which are separated in order to manage assets, services, and other businesses for the greatest welfare of the village community. Thus, the management of BUMDes must be carried out separately from the implementation of Village Government (Ramadana et al., 2013; Hidayah et al., 2020).

Anggraeni (2016) and Dewi (2014) found that through the existence of the village-owned enterprises, the community can manage the potential of the village and make it into a source of income for both the village and the community. Another advantage of the existence of the village-owned enterprises is that it is a place that can accommodate every economic activity. It has become a public service institution for the village community (Sihabudin 2009, Zulkarnaen 2016, & Hardijono et al. 2014). According to (Hayyuna et al. 2014; Hidayati (2015) showed that an increase in the village's original income could be generated through the structured and systematic management of the village-owned enterprises. However, Syahril et al. (2019) stated there are constraining factors affecting the financial performance of the village-owned enterprises, namely capital, responsibility, public education, and beliefs, as well as the type of businesses involved.

The emphasis is that BUMDes governance must be carried out with the principles of good BUMDes governance, namely participatory, accountable, and transparent based on social entrepreneurship and techno-social entrepreneurship with profit-oriented and social welfare-oriented. It means that the establishment of BUMDes aims to optimize the management of village

assets and grow the village economy to be useful for increasing original village income (PADes) and village community welfare (Dewi, 2014; Hidayah et al., 2020). However, the facts show that many BUMDes Equity Participation programs are losing money and even leading to bankruptcy. It indicates that BUMDes Governance is still far from expectations for the BUMDes idea to solve village economic problems. The impact is that the performance of BUMDes has not been able to provide an optimal contribution to PADes and to the Welfare of the Village Community.

Indirectly, this condition results from the recruitment of BUMDes managers not coming from competent human resources; BUMDes managers do not know the business potential that can be developed; BUMDes managers are confused and do not understand how to develop BUMDes (Sabatina et al., 2018). This condition is further exacerbated by the Covid-19 outbreak that has started in early 2020, which has caused more BUMDes to experience suspended animation. Data shows that the impact of the Covid-19 outbreak is very serious for the existence of BUMDes in Indonesia; it is noted that in 2019 a total of 37,286 BUMDes were active, this position decreased by 26,657 or 71.49% to 10,629 active BUMDes in 2020 (Kemendes, 2020). For this reason, in the current New Normal era, the idea that is urgently needed to mitigate these conditions is to develop BUMDes according to the needs and local potential of the Village in supporting village economic growth (Elisa & Santoso, 2017; Soleh, 2017); Recruiting Professional BUMDes managers; and selecting potential BUMDes business units that can improve welfare for BUMDes, Village Governments, and Village Communities.

Huruta and Sasongko (2016) explained that due to the existence of the village-owned enterprises, the community would be more helpful. However, as there is still a lack of certain guarantees for the community, the need for legal protection in the form of village regulations regarding the village-owned enterprises provides a more secure guarantee for every community. Since they first established, the village-owned enterprises have served as a tool to increase the village's original income and the community income as well. The village-owned enterprises are also able to create new business opportunities that can be utilized by the community. The village-owned enterprises are one of the institutions in the village that are engaged in both business and economic empowerment. Based on this idea, researchers are interested in conducting research related to the topic of Optimizing BUMDes Performance, a study on the Selection Strategy for BUMDes Business Units in West Halmahera Regency. The selection of the West Halmahera location was more because researchers wanted to contribute to the succession of Khairun University Cooperation with the West Halmahera Regency Government regarding the Development of BUMDes in West Halmahera Regency.

## METHODS

This research was conducted in West Halmahera Regency, North Maluku Province. The scope of the research focus is in the administrative area of West Halmahera Regency. The object of this research is the optimization of the performance of BUMDes, the study of the Strategy for the Selection of BUMDes Business Units in the District. West Halmahera. In this study, researchers used a qualitative method using the Analytical Hierarchy Process as the research method. Primary data collection was carried out by FGD, while secondary data collection was carried out by literature study and internet browsing. Technical analysis of the data in this study was carried out with the following steps.

1. Agree on 3 potential alternatives for village industry priorities. The obtained industrial secondary data is used as material for discussion and enriched with information from the resource persons, namely the Village Government, Village Consultative Body, BUMDes Management, and Community Leaders.
2. Determination of the criteria and sub-criteria for the priority potential of the village industry and the weight of each criterion and sub-criteria. The speakers presented alternative criteria and sub-criteria for determining superior products, which were refined based on the agreement to facilitate the discussion.

3. Pairwise comparison of products for each criterion and sub-criteria. The implementation of this stage is similar to the method in the second stage, which gives weight to the criteria and sub-criteria. If in the second stage the weights are given by comparing the criteria and sub-criteria, then at this stage, the weights are given to compare the products for each criterion and sub-criteria.
4. This data processing is intended to obtain the priority potential of the village industry based on the opinions of the resource persons who are filled in the form during the FGD. Input data comes from the Criteria Weighting Form, Sub-criteria Weighting Form, and Product Paired Comparison Form. The software used for processing this data is Superdecisions, a multi-criteria and tiered (AHP) decision-making software.
5. To simplify and speed up the determination of the IUP, before entering the data into the Superdecisions software, the data is first processed with Microsoft Excel software to find the geometric mean. Then, figures on the geometric mean are used as input for data processing with AHP (Superdecisions) processing software.

## RESULT AND DISCUSSION

This study aims to build a BUMDes Performance Optimization model through the Selection Strategy for BUMDes Business Units in West Halmahera Regency. For this purpose, this study took a site in the Village of Gueamaadu. The selection of this site is based on the consideration that Gueamaadu Village already has a BUMDes and has made the largest capital participation among other villages. In addition, based on data from the Central Statistics Agency (BPS) of West Halmahera, Gueamaadu village is a strategically located village in West Halmahera Regency because it is located at the very front at the entrance to West Halmahera Regency. The geographical location of Gueamaadu Village is in the administrative area of the Jailolo sub-district, West Halmahera Regency, which has a population of 1,789 people with an area of 0.43 km<sup>2</sup>. According to data from the BKPM of North Maluku Province, in general, the superior potential of the West Halmahera Regency is agriculture, plantations, tourism, clean water, and marine fisheries. Its main sub-sectors are food crops, copra, cloves, and marine tourism. This superior potential is spread in all villages in West Halmahera Regency, including Gueamaadu Village. However, the superior potential of each Village varies from one Village to another. Based on the results of this study, the researchers found that Gueamaadu Village currently has superior village potential, including Village Banks, Hydroponic Agriculture, Pertamina Desa, Village Shops, Hospitality, Car and Motorcycle Rentals, Nature Tourism, Beach Tourism, Processed Bananas, Coconut Oil, Bamboo Crafts, and Copra Collectors. To manage this superior potential, the Gueamaadu Village Government has formed a Village Owned Enterprise (BUMDes) and has invested in BUMDes capital of Rp. 175,000,000.00. But what is interesting about Gueamaadu Village is that the BUMDes of Gueamaadu Village actually developed a photocopying business, and because the procedure for selecting this business was not followed, then in two to three months, the photocopying business went out of business. The following is the statement of the informants of this research.

"...the previous BUMDes...the first period was, in 2017, at this time...from the village ministry to form BUMDes, BUMDes throughout Indonesia...the old BUMDes...budgeted by the old village government, they had this business, only this what... just a photocopy... just the photocopy... it took two months, three months it does not work anymore... maybe because of the influence of the photocopying business or something... only if I look at it from that side... maybe it is... the head of BUMDes, together with the secretary, the same The old treasurer and village head, maybe less intensely looking at BUMDes...."

Referring to this experience, to develop the BUMDes business, the Village must prioritize the village potential through village regulations (PERDES). Therefore, when BUMDes develops its business, it is not the wrong choice to develop its business. However, unfortunately, the Village of Gueamaadu does not yet have a PERDES regarding the superior potential of village industry

priorities. Therefore, to support the Village of Guaemaadu in optimizing the performance of its BUMDes in developing the BUMDes business in the future, research is needed to be related to the strategy for selecting the superior priority of the potential of Guaemaadu village. To carry out this strategy, the Analytical Hierarchy Process (AHP) method is used. The stages of analysis and the results of the analysis are presented in the following sub-chapters. Criteria in the Analytical Hierarchy Process (AHP) for selecting the Village Leading Potential with Software super decisions

To determine the selection of the priority potential of the guaemaadu village industry, it is carried out using the AHP analysis approach with super decisions software. The criteria used in the selection of the priority potential of the guaemaadu village industry include: a) Ease of Access to Raw Materials; b) Product Competitiveness; c) Product Uniqueness; d) Market Opportunities; and e) Social Entrepreneurship Creation.

a) Ease of Access to Raw materials

Ease of access to Industry is an important criterion in determining the potential priority candidates for the village industry. This is because the availability of raw material supply largely determines the sustainability of a village industry. Jay Heizer and Barry Render (2011; 261) revealed that the supply of raw materials in inventory for the Industry is one of the most important keys in industrial operations, and all industries certainly have a planning system and inventory system. With the availability of raw material supplies, it is expected that the industry can carry out the production process according to consumer needs or requests; in addition to having sufficient raw material supplies, it is also expected that production activities/services to consumers can avoid shortages of raw materials. Furthermore, Sartono (2010; 443) states that raw material inventory is one type of current asset that is quite large in an industry because inventory is an important factor in determining the smooth operation of the industry. In addition, according to Hani Handoko (2011: 333) regarding the supply of raw materials, the term inventory is a general term that indicates everything or organizational resources that are stored in anticipation of meeting demand. The demand for internal or external resources includes the supply of raw materials, work in process, finished goods, auxiliary materials, and other components that are part of the output of industrial products.

b) Competitiveness of Industrial Products

Product competitiveness is one of the criteria in determining the Village's leading Industry; this is because competitiveness provides an understanding of the industry position, performance, and capacity that deserves to be developed. Important factors that must be considered in this competitiveness framework are market access, supply factors, and promotional support. Market Access relates to trade policies that can facilitate or limit the entry of products and maintain their competitiveness in the market. In market access, factors that hinder the sale of goods are seen, such as tariff barriers and non-tariff barriers. Furthermore, supply factors are related to governance and macro-fiscal, trade, and domestic policies that form an incentive framework for business actors and input factors that determine competitiveness from the production side.

c) Product Uniqueness

In today's economic era, where business competition is very tight, the most dangerous thing is a price war. One way to avoid price wars is product uniqueness. Uniqueness will provide a distinct advantage, because these products cannot be compared directly with competitors' products. This uniqueness will be difficult for competitors to imitate because competitors cannot access that source of knowledge. According to Kartono (2010), the uniqueness of the product is that the supplier produces very specific products so that the industry has a higher bargaining position compared to industries whose products are commodity products. The uniqueness of the product is the added value that makes the product stand out from other competitors. According to Cooper (2000), product uniqueness basically comes from research

to meet customer needs involving innovation and high technology. Uniqueness is considered important because uniqueness makes the finished product different from most products. In the context of determining the priority potential of village industries, the criteria for product uniqueness are emphasized on an industry that is uniquely identified if the industry has products whose characteristics are full of appearance or local cultural values/skills. Therefore, the more unique the product, the higher the assessment of the industry will be.

d) Market Opportunities

Understanding Market Opportunities is essential for the survival of the industry. It is because Market Opportunities provide an understanding of market segments. Where a market segment is a meeting place for sellers and buyers, there will be many buyers with various habits and behaviors. This diversity means that the market for a product is not homogeneous but heterogeneous. So that is what makes business people do market segmentation. Segmentation itself is a grouping of buyers who have the same behavioral needs in a market. Therefore, market segmentation is one of the main components in formulating a strategy. Some businesspeople say that market segmentation is the art of identifying and taking advantage of opportunities that arise in the market. The background of the importance of market segmentation in Industry is because segmentation will allow an industry to focus more on allocating resources. Then, segmentation also includes the basis for determining the components of the overall strategy or tactics. Furthermore, segmentation is also the key to success in order to beat competitors. One of the reasons an industry does market segmentation is to increase the effectiveness of the planned marketing strategy, and also to be more focused, and resources in the industry can also be used efficiently and effectively. Segmentation which is intended as a strategy in increasing marketing, will certainly provide various benefits for both business people and consumers, for example, such as: first, it can better provide the needs and desires of consumers, meaning that a producer will certainly provide the needs and desires of its consumers which vary greatly by utilizing different patterns, intensive and different promotional activities according to the segment to be addressed. By grouping consumers according to their characteristics, it is proven that they will be able to provide better services and product availability following customer needs; secondly, for income to increase, which means Producers will find it very difficult to increase or raise prices in the whole market. However, this can be overcome by dividing or grouping consumers according to their characteristics and abilities. So that by segmenting the market, it will help producers to find out which market or anyone has the potential to provide greater income to the industry; and third, creating opportunities for growth, namely by utilizing the organization's market segmentation, it will certainly produce a niche product that is expected to attract other customers to want to try and then buy the products produced.

e) Social Entrepreneurship Creation

The creation of social entrepreneurship is one of the criteria in determining the priority potential of the village industry. This is important to maintain the harmony of the leading Industry with the local community, so it is hoped that this leading Industry will become the main pillar in increasing the Village's original income and improving the welfare of the local community. However, as Hulgard (2010) stated, social entrepreneurship more comprehensively is the creation of social value formed by collaborating with other people or community organizations involved in a social innovation, which usually implies an economic activity. In addition, according to Palesangi (2013), social entrepreneurship has four main elements, namely social values, civil society, innovation, and economic activity. Social value is the most distinctive element of social entrepreneurship, namely creating real social benefits for the community and the surrounding environment; civil society illustrates that social entrepreneurship generally comes from the initiative and participation of civil society by optimizing the existing social capital in the community; While innovation explains that

social entrepreneurship solves social problems in innovative ways, among others, by combining local wisdom and social innovation; and economic activity shows that successful social entrepreneurship is generally carried out by balancing between social activities and business activities.

Analytical Hierarchy Process (AHP) for selection of the Leading Potential of Guaemaadu Village with Superdecisions Software

Based on the criteria above, the results of the AHP are presented in determining the priority potential of the village industry with SuperDesition V3.2 Software. In addition, to make it easier for the analysis process to be carried out, the following chart is presented regarding the village industry's objectives, criteria, and priority potential. Referring to the framework of the objectives, then the weight of the assessment of each alternative Industry has the potential to be the priority of the village industry. To determine the weight of the scores, the focus group discussion (FGD) technique was carried out with research informants, which included the village head, village secretary, BUMDes director, BUMDes secretary, and local community leaders. The assessment weight assumptions used are as follows.

Table 1. Intensity of interest

Value Intensity of Interest	Definition	Description
1	Both elements are equally important	Two elements contribute equally to that trait
3	One element is slightly more important than the other	Experience and judgment slightly favor one element over another
5	One element is essential than the other elements	Experience and judgment strongly favor one element over another
7	One element is clearly more important than the other elements	One element is strongly supported, and its dominance has been seen in
9	One element is absolutely more important than the other elements	The evidence in favor of one element over the other has the highest possible degree of affirmation to corroborate
2,4,6,8	Values between two close consideration	A compromise is needed between two considerations
opposite	If for an activity I get one point when compared to an activity J, then J has the opposite value when compared to activity I.	

Source: Results of AHP Analysis with Super Decition V.3.2, data processed

Based on the assessment assumptions, an alternative assessment of the priority potential of the village industry is then carried out. Based on the results of the AHP analysis, the weight value of each leading industry alternative is based on the criteria of Product Competitiveness, Ease of Access to Raw Materials, Product Uniqueness, Market Opportunities, and Social Entrepreneurs, the results of the AHP are shown as follows.

Table 2. Assessment of the priority potential of village industry in alternative 1.

Alternative 1	Product Competitiveness	Availability of Raw	Materials Product Uniqueness	Market Opportunities	Social Entrepreneurship
Inconsistency	0,413	0,331	0,269	0,139	0,382
Village Bank	0,028	0,029	0,031	0,036	0,029
Hydroponics	0,687	0,640	0,594	0,574	0,691
Village Gasoline	0,072	0,079	0,085	0,073	0,068
Village Shop	0,213	0,251	0,290	0,317	0,212

Source: Results of AHP Analysis with SuperDecition V.3.2, data processed

Table 3. Assessment of the priority potential of village industry in alternative 2.

Alternative 2	Product Competitiveness	Availability of Raw	Materials Product Uniqueness	Market Opportunities	Social Entrepreneurship
Inconsistency	0,383	0,441	0,187	0,139	0,249
Hospitality	0,203	0,084	0,203	0,160	0,192
Car and Motorcycle Rental	0,029	0,027	0,029	0,080	0,088
Natural tourism	0,077	0,205	0,077	0,040	0,037
Beach tourism	0,691	0,683	0,691	0,720	0,683

Source: Results of AHP Analysis with SuperDecition V.3.2, data processed

Table 4. Assessment of the priority potential of village industry in alternative 3.

Alternative 3	Product Competitiveness	Availability of Raw	Materials Product Uniqueness	Market Opportunities	Social Entrepreneurship
Inconsistency	0,315	0,499	0,362	0,346	0,299
Banana	0,119	0,025	0,059	0,060	0,081
Coconut oil	0,619	0,225	0,635	0,621	0,612
Bamboo Craft	0,067	0,675	0,095	0,112	0,114
Copra Collector	0,195	0,075	0,211	0,207	0,193

Source: Results of AHP Analysis with SuperDecition V.3.2, data processed

Referring to the results of the AHP assessment above, the BUMDes Performance Optimization model can be obtained through the BUMDes Business Unit Selection Strategy as follows. To optimize the performance of BUMDes, what must be considered is ensuring market opportunities, availability of raw materials, product competitiveness, and product uniqueness. Meanwhile, based on the AHP, the priority potential of village industry that can be developed is Coastal Tourism; Hydroponic Farming; Coconut oil; Village Shop; Crafts from Bamboo; Coconut Collector; Hospitality; Processed Bananas; Nature Tourism and Village Bank.

## CONCLUSIONS

In general, the superior potential of the West Halmahera Regency is Agriculture, Plantation, Tourism, Clean Water, and Marine Fisheries. Its main sub-sectors are food crops, copra, cloves, and marine tourism. This superior potential is spread in all villages in West Halmahera Regency, including Guaemaadu Village. However, the superior potential of each

Village varies from one Village to another. Based on the results of this study, the researchers found that Guaemaadu Village currently has superior village potential, including Village Banks, Hydroponic Agriculture, Pertamina Desa, Village Shops, Hospitality, Car and Motorcycle Rentals, Nature Tourism, Beach Tourism, Processed Bananas, Coconut Oil, Bamboo Crafts, and Copra Collectors. To manage this superior potential, the Guaemaadu Village Government has formed a Village Owned Enterprise (BUMDes) and has invested in BUMDes capital of Rp. 175,000,000.00. However, because the Village of Guaemaadu does not yet have a PERDES related to the priority potential of the village industry, the BUMDes of Guaemaadu Village has developed a photocopying business, and because the procedure for selecting this business was not followed, then in two to three months the photocopying business went out of business. The impact is that the performance of BUMDes has not been able to provide an optimal contribution to PADes and to the Welfare of the Village Community.

To minimize the chance of repeating BUMDes business failures in the future, it is necessary to select the priority potential of the village industry, which will later become the PERDES concerning the superior potential of the priority of the Guaemaadu village industry. As a result, the selection of the priority potential of the Guaemaadu village industry with AHP obtained the priority of carrying capacity criteria for the priority potential of the village industry, namely market opportunities, availability of raw materials, product competitiveness, and product uniqueness. With these criteria, it is obtained that the priority potential of the Guaemaadu village industry is Coastal Tourism; Hydroponic Farming; Coconut oil; Village Shop; Crafts from Bamboo; Coconut Collector; Hospitality; Processed Bananas; Nature Tourism and Village Bank. Thus, to optimize the BUMDes business, the priority potential of the village industry must be developed by the BUMDes in the future.

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