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POTENTIAL FACTORS INFLUENCE FAILURE OF THE VILLAGE-OWNED BUSINESS: THE ENTITY VILLAGE AUTONOMY OF INDONESIAN GOVERNMENT'S PROGRAM

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Abstract

This study investigates the variables that might impact the village-owned business (BUMDes) failure. A qualitative study explores the variables that might impact (BUMDes) Failure. Exploration of factors which has the potential to affect the Failure of BUM Villages are arranged based on a qualitative study by collecting data and information using interviews with characters BUM Desa management figures, key related to the management of the village-owned business (BUMDes) Village. This research was conducted in Central Java Province

with a failed sample of BUMDes in 10 districts in Indonesia, namely Pekalongan, Tegal, Purbalingga, Banjarnegara, Banyumas, Brebes, Cilacap, Jepara, Demak, and Surakarta uses a qualitative approach. This research technique uses a purposive sampling technique. Data collection technique Observation method, interview method, and documentation method. The interview technique that has been conducted was a semi-structured interview, which means that the informants had been informed in advance. First, an overview of the questions to be asked. Using triangulation validation of the basic data comprehension, integrated related data, identified patterns, and produced thematic data. The findings of this study suggest that the following variables may have an impact on BUM Desa's Failure: pandemic-related government regulations, flexible business models, unprofessional governance in the village-owned business (BUMDes), and the vision of the village-owned business (BUMDes) not yet visionary, low community involvement, low human resource capacity and skills at the village-owned business (BUMDes), effective village leadership, agility-deficient village leaders' mind-sets, precarious macroeconomic conditions, harmful externalities from government policies, and unfavourable village local political climate.

Keywords

The Village-Owned, Failure, Development, Governance, Human Resource

1. Introduction

Villages basically have assets that can be utilized to maintain and accelerate economic recovery. Since the launch of the village fund, each village has been required to establish a business entity which is expected to be an economic driver so that the village has its own source of income to finance various activities. Village autonomy is a regional government policy given to village governments to further optimize their potential, so that they can maximize village income for development and community welfare.

Village-Owned Enterprises (BUMDes) were established pursuant to Article 23 of Law (UU) Number 32 of 2004 concerning Regional Government, which states that villages can establish village-owned enterprises according to village needs and potential. The 2022 Village Potential data shows that there are 60,911 BUMDes units spread across 58.28 percent of villages throughout Indonesia. The remaining 41.72 percent of villages do not yet have BUMDes. Even though the number of villages that already have BUMDes is relatively high, the government is faced with the problem that there are still many BUMDes that are not operating properly. Based on data from the 2021 Ministry of Village Village Investment Forum, thousands of village-owned enterprises (BUMDes) in Indonesia are inactive. It was

recorded, out of 45 thousand BUMDes, 15 thousand of them were stalled. Of the 30 thousand active BUMDes, his party conducted random monitoring of 8 thousand BUMDes. As a result, 200 of them did not work, the rest had not contributed. In Indonesia there are 4000 BUMDes that are growing, however, 93 percent are in unfavorable condition. Even though the existence of BUMDes with its business units should be a solution to the economic problems faced by the agricultural sector in the village.

Until 2022, the Minister of Villages, Development of Disadvantaged Regions and Transmigration (Kemendesa PDTT), Abdul Halim Iskandar, said that the number of BUMDes in Indonesia has reached 57,273 BUMDes, of which 45,233 are active BUMDes and 12,040 are inactive BUMDes. Among those that are active, there are 15,768 BUMDes that have been affected by the pandemic to the point of closing their businesses (kontan.co.id, 2021). Of the many BUMDes, it is stated that some of them are really alive but many are in suspended animation, most of them are located outside the islands of Java and Sumatra.

Research on the failure factors of BUM Desa has also been carried out, but the discussion is not that deep. This can be seen that only three factors can be uncovered, such as capital issues (Sutardi et al, 2017; Ni Wayan et al, 2017; Nugroho, 2020), low quality human resources (Candraningsih et al, 2018; Dewi et al, 2018; Nurjanah et al. al, 2020; Haerudin & Lina, 2021; Sukriani et al, 2018; Gunaya et all, 2017; Posi & Mahendra, 2021), and finally the limitations of using Accounting Information Technology and Systems (Leni & Musmini, 2020) so that deeper exploration is needed regarding the factors that led to the failure of BUM Desa. Therefore this study tries to fill in an exploratory study of the factors that cause BUMDesa failure.

2. Research Method

This exploratory research on the failure of BUM Desa was carried out in villages that already had BUMDes and engaged in public services to the community, ranging from savings and loans, tours, and other commercial services. The research philosophy used is interpretivism. This philosophy of interpretivism is based on the novelty of the phenomenon that will be examined in the object of research where this pandemic is an unexpected situation that puts heavy pressure on BUMDes that have just started their business services (Saunders et al., 2016). Furthermore, the approach used to support this research is inductive with the research methodology to be chosen is a mono-method qualitative study.

The monomethod qualitative study approach is the use of a single data collection technique, namely qualitative, because the nature of the research is more exploratory (Saunders et al., 2016). This research is qualitative research that is exploratory in nature so that the variables studied will be determined through a literature review and initial interviews. Next, from these 2 activities, significant variables will be determined in causing a slowdown in the performance of existing BUM Desas. In general, if you refer to the literature discussing BUM Desas, several things that are of concern in determining the performance of BUM Desas are the governance of BUM Desas, the professionalism of BUM Desa managers, the commitment of village heads, and community participation.

Data Processing and Analysis Techniques After the data has been collected, the team will conduct a thematic analysis to see patterns that occur starting from the results of data tracking through desk studies and in-depth interviews. The steps we will take are as follows: a. Transcribe interview data b. Perform data summarization and triangulation to check the validity and reliability of data c. Coding through a thematic analysis approach 1) Identify shared understanding of the available data (data comprehension) 2) Perform integration of connected data (integrate related data) 3) Identify key themes from existing patterns (identify key theme of patterns) 4) Develop thematic descriptions of the data that have been integrated (produce thematic descriptions of the data) 5) Develop theoretical frameworks for the compiled patterns (develop theories) d. Drawing conclusions e. Convey preliminary conclusions findings f. Compile reports according to output targets. The validation will use triangulation.

Triangulation will use support from secondary data such as government regulations as well as formal information published by the Ministry of Village, PDTT and other scientific articles. In addition, the triangulation process will also be carried out by submitting the results of a summary of the data to be informed back to the resource person to ensure that the transcription and conclusion of the information conveyed is as intended.

2.1. Research Instruments and Stages

The research instrument that will be the initial guide is a list of questions for the interviewees.

Table 1: Research Instruments

| No | Research Purposes | Research Questions | A list of questions |
|----|---|---|---|
| 1 | Identify factors that make BUMDesa performance not optimal | <ul style="list-style-type: none"> • What are the factors that influence the performance of BUM Desa so that it is not optimal? • How these factors relate to each other? | <ul style="list-style-type: none"> • Can you tell us about the decision-making process for choosing a business that will be run by a BUM Desa? |
| 2 | Find out how much influence politics has in influencing village welfare in the governance of BUM Desa | <ul style="list-style-type: none"> • What are the political elements that influence the governance of BUM Desa? • How does the village political atmosphere affect village welfare? | <ul style="list-style-type: none"> • What is the distribution of power in village organizations? • How is decision making delegated in the village? • What is the role of the village head in the management of BUM Desa? |
| 3 | Knowing Good Governance and Management Professionalism of BUM Desa | <ul style="list-style-type: none"> • Does BUM Desa have good organizational governance standards? • How does BUMDesa realize professionalism in operations (HR, etc.)? | <ul style="list-style-type: none"> • Does BUM Desa have AD/ART? • How is the implementation of AD ART? • What is the role of supervisory institutions? • What is the system for recruiting, managing and improving the performance of BUM Desa employees? |
| 4 | Identify citizen participation in realizing village welfare through BUM Desa operations | <ul style="list-style-type: none"> • What is the role and involvement of community members in each BUM Desa Program? • How do the community members react to the | <ul style="list-style-type: none"> • Did you know there are BUM Desa? • How do you think the performance of BUM Desa? • Are you interested in participating in BUM Desa |

| | | | |
|---|--|--|--|
| | | performance of the BUM Desa? | activities? |
| 5 | Identify the phenomenon of the tourist village as BUMDesa business model framework | <ul style="list-style-type: none"> • What are the things that make BUM Desa interested in implementing the tourism village concept? • How is the availability of village assets in accommodating the wishes of BUM Desa to become a tourist village? | <ul style="list-style-type: none"> • What is the reason for this village to become a tourist village? • Are there other assets owned by the village that are not related to tourism? |

(Source: Self/Authors' Own Illustration)

This description will produce findings that have the potential to cause the failure of BUM Desa performance. These findings will then be categorized in the next section. Then, after the findings have been categorized, the research team will develop a framework model of the findings which are thought to be the combination that caused the failure of BUM Desa.

Table 2: *Number of BUMDES Categories in 10 districts in Central Java*

| Regency | Base | Grow | Develop | Proceed |
|----------------|-------------|-------------|----------------|----------------|
| Banyumas | 26 | 85 | 19 | 5 |
| Purbalingga | 52 | 67 | 17 | 5 |
| Pekalongan | 71 | 66 | 3 | 3 |
| Tegal | 45 | 77 | 14 | 2 |
| Banjarnegara | 66 | 72 | 4 | 0 |
| Brebes | 50 | 95 | 13 | 0 |
| Cilacap | 30 | 100 | 5 | 2 |
| Jepara | 51 | 58 | 14 | 2 |
| Demak | 74 | 75 | 6 | 2 |
| Surakarta | 35 | 72 | 17 | 10 |
| Total | 500 | 767 | 112 | 31 |

(Source: Self/Authors' Own Illustration)

3. Result

The analysis and discussion stages in Chapter 4 begin by providing a description of information regarding the current situation in each BUM Desa. This description will produce findings that have the potential to cause failure of the performance of BUM Desa. These findings will then be categorized in the next section. Then, after the findings have been

categorized, the research team will develop a framework model of the findings which are suspected to be a combination in causing the failure of BUM Des.

3.1. Categorization of BUM Desa Failure Factors

Based on the identification of the current situation in each village visited, there are several categories of problems that can be classified. Classification that was successfully identified namely:

3.2. Government Regulations Regarding the Pandemic

The PSBB and PPKM policies require that business units that invite large numbers of visitors must be temporarily closed.

3.3. Adaptabilitas Model Bisnis BUMDesa

- Not many BUMDesa business units have been initiated from business embryos. Many business units are decided without considering the village's asset potential.
- BUM Desa relies on priority revenue from the tourism business unit. Since the pandemic, with social restrictions in place, tourism business units have been unable to receive visits at all and have had no income at all. The additional business units available are also tourism support units such as providing food, parking, souvenirs, and the like, so they are also affected when tourism is closed.
- BUM Desa business units other than tourism have not been able to support BUM Desa revenues.
- Several BUM Desa business units are still not strong because they still need sustainable funding injections. This is related to the selection of business units that are not in accordance with village assets and village finances.
- The dependence of the BUM Desa business unit on the village's local consumption sector where local consumption capabilities are also limited due to the pandemic.

3.4. BUMDesa governance that does not comply with statutory regulations

- Legality of BUM Desa businesses and business units that have not yet been prepared but have launched their services.
- Accountability in the management of BUM Desa management.
- Accountability, especially integrity issues in BUM Desa's financial reporting.
- BUM Desa management is not ready to face change when there is a change in top management of the business unit.
- The village head's intervention in the management of BUM Desa in certain contexts can be justified, in order to upgrade BUMDesa to become more advanced and

independent.

- The village head personally manages the BUM Desa business unit with his family.
- Family members of the village head intervene in BUM Desa decisions.
- Transparency and accountability for BUM Desa financial reports for businesses managed by the village head.
- The village head dares to take measurable risks but does not comply with the statutory provisions that should be related to BUM Desa.
- The BUM Desa management approach is dominated by family aspects rather than professionalism.

3.5. The vision of BUMDesa that is not yet visionary

- Pragmatic approach to focus on economic profit rather than social benefit. One way to do this is to hire operational employees from outside the village.
- Business management approach that prioritizes financial benefits.

3.6. Low Community Participation

- Low community commitment in maintaining assets belonging to the BUM Desa business unit.
- Low community participation in taking part in activities carried out by BUM Desa.
- The sense of belonging from the community around the BUM Desa business unit is very low.

3.7. Low Human Resource Capacity and Skills in BUM Desa

- BUM Desa administrators do not have motivation because BUM Desa is unable to guarantee the continuity of its welfare.
- The capacity of the BUM Desa Director is inadequate due to age factors and previous work background.
- The Director of BUM Desa is considering a new profession outside the village.
- The focus of the Director of BUM Desa is divided on personal interests outside the BUM Desa.
- Local human resource capacity has not been able to keep up with local government expectations for adequate hospitality service standards.
- Old BUM Desa Management Human Resources.

3.8. The leadership

- The leadership of the village head is not optimal.
- The Director of BUM Desa has no initiative because of the high dominance of the

village head.

- The push and pull of the spirit of business between the elder team (village head) and the young team.
- The village head is too dominant in managing other things in the village.
- High degree of dependency on the Village Head.

3.9. Mindset of the Village Head who is not agile

- The lack of initiative for ideas from the village head makes it easy to be pressured by other parties.
- The business idea initiatives available are not based on community desires and local asset ownership.
- The views of the BUM Desa director and the village head differ on the use of village funds.
- Initiatives and ideas from parties involved in managing BUM Desa are not optimal.
- The village head is less observant in finding and taking advantage of opportunities.
- Village heads have low networking skills so they are able to invite investors to invest and only hope for village assistance and funds.

3.10. Unstable Macroeconomic Conditions

- BUM Desa businesses have been affected because business partners have been affected by the pandemic, such as delays in principal loan payments.

3.11. Negative Externalities of Government Policy

- Pressure from government programs for the selection of BUM Desa business ideas makes the BUM Desa program unable to run optimally.
- There is no capital available to increase the scale of the prepared business units.
- Pressure in the allocation of business unit selection for BUM Desa.

3.12. Village Local Political Atmosphere

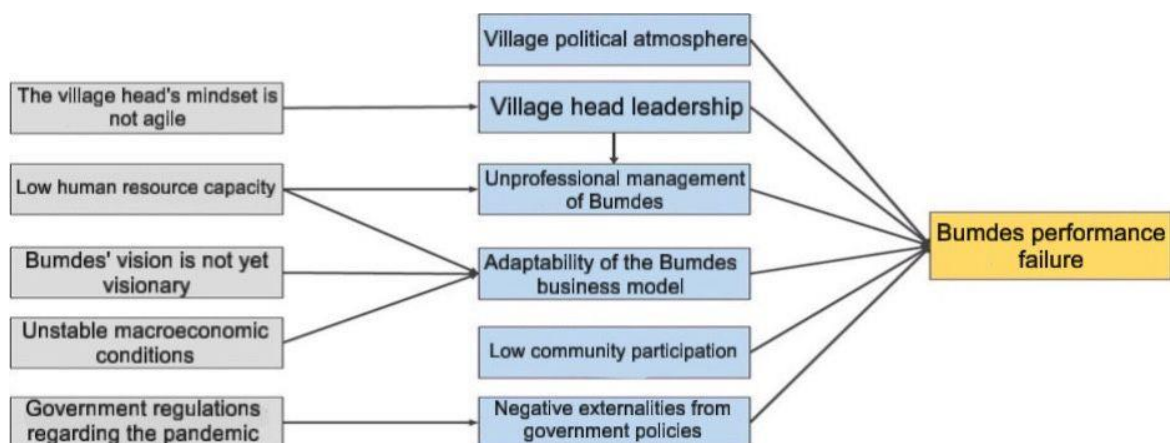
- Challenges from political opponents who lost during the Pilkadaes hampered efforts to develop BUM Desa businesses.
- Director of Bumdes makes BUM Desa a political tool to become village head (Trojan horse).
- Business analysis is carried out only for momentary proof, not on the basis of sustainability, more towards utilization for other missions.

4. Discussion

4.1. Modeling BUM Desa Failure

Based on the elaboration of the categorization of the failure factors of the BUM Desa, then a model is created that can describe the relationship and influence between categories or variables on the failure of the BUM Desa. The design for modeling the failure of BUM Desa is as follows.

Figure 3: BUM Desa Failure Modeling



(Source: Self/Authors' Own Illustration)

From this modeling, it can be illustrated that the failure of BUM Desa has the potential to be influenced by 11 factors that are interconnected and influence both directly and indirectly. These eleven factors include Government Regulations Regarding the Pandemic, Adaptability of the BUM Desa Business Model, Unprofessional Governance of BUM Desa, Unvisionary Vision of BUM Desa, Low Community Participation, Low Capacity and Skills of Human Resources in BUM Desa, Village Head Leadership, The village head's mindset is not agile, macroeconomic conditions are not yet stable, negative externalities from government policies, and the local political atmosphere in the village are less conducive. The village head's leadership has the potential to be influenced by the mindset of the village head who is not agile.

Unprofessional BUM Desa governance has the potential to be influenced by the leadership of the Village Head and the low capacity of the human resources managing the BUM Desa. Then the adaptability factor for the BUMDesa business model has the potential to be influenced by the low capacity of the human resources managing the BUM Desa, the vision of BUM Desa that is not yet visionary, and unstable macroeconomic conditions. If you look at the current conditions, negative externalities from Government policies have the potential to be influenced by Government regulations related to pandemics.

5. Conclusion

The main objective of this research is to explore the factors that have the potential to influence the failure of BUM Desa. Exploration of factors that have the potential to influence the failure of BUM Desa was prepared based on a qualitative study by collecting data and information using interviews with key figures related to the management of BUM Desa. The results of this research indicate that the factors that have the potential to influence the failure of BUM Desas are as follows:

- (1) Government Regulations Regarding the Pandemic
- (2) Adaptability of the BUM Desa Business Model
- (3) Unprofessional BUM Desa Management
- (4) BUM Desa Vision who are not yet visionary
- (5) Low community participation
- (6) Low capacity and skills of human resources in BUM Desas
- (7) Village head leadership
- (8) Village head mindset that is not agile
- (9) Poor macroeconomic conditions Unstable
- (10) Negative Externalities from Government Policies
- (11) Local Village Political Atmosphere that is not conducive

It is necessary to mitigate risks caused by the failure factors of the BUM Desa.

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