

# BUMDes Based Village Economic Development Model

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## ABSTRACT

*Village-Owned Enterprises (BUMDes) is one alternative to improve the rural economy. BUMDes was born as a new approach to improve the village economy based on the needs and potential of the village. BUMDes management is fully implemented by the village community, namely from the village, by the village, and for the village. Langkat Regency, North Sumatra Province, is currently only establishing BUMDes as a community economic institution. If seen from its potential, this village has great potential for the establishment of BUMDes as a place to accommodate the community's economic activities and public service institutions. This study aims to explore the Village Potential to be managed by Village-Owned Enterprises to improve the welfare of society. This study uses the Community Based Research method, in which the research is carried out in several stages, namely: in-depth interviews with participants who are key actors in BUMDes, the next stage is conducting Group Discussions based on interest groups in the village, and at the final stage conducted Where is the Focus Group Discussion discussions were held by various interested parties. The results of this study indicate the potential of villages that can be managed by BUMDes which are expected to bring changes in the economic and social fields.*

**Keywords:** BUMDes; Potency; Economic

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## Introduction

Regency Village is the smallest unit of the country closest to the community and in real terms directly touches the people's need for welfare. According to the Village Law (Law Number 6 of 2014), the Village is a legal community unit that has territorial boundaries, which is authorized to regulate and manage government affairs, the interests of the local community based on community initiatives, original rights, and/or recognized traditional rights and respected in the government system of the Unitary Republic of Indonesia (NKRI). As a state representative, the village is obliged to carry out both physical development and human resource development, as an effort to improve the quality of life and life for the maximum welfare of the village community.

Village economic growth is often seen as slow compared to urban economic development. To improve this, two approaches are needed, namely: a) Community needs in making changes and preventing undesirable things, and b) Political will and the ability of the village government together with the community to implement development plans that have been prepared (Bachrein, 2010).

One effort that can be done is to encourage the movement of the village economy through village entrepreneurship, where village entrepreneurship is a strategy in the development and growth of welfare (Ansari, 2016). This village entrepreneurship can be accommodated in the Village Owned Enterprises (BUMDes) developed by the government and the village community (Prabowo, 2014). BUMDes is a business entity whose entire or most of its capital is owned by the village through direct participation from the village wealth which is separated to manage assets, services, and other businesses for the maximum welfare of the village community (Law Number 32 the Year 2004). This is increasingly supported by the government with the issuance of Government Regulation Number 47 of 2015 which states that villages have the authority to regulate resources and direction of development. This opens up opportunities for the village to be autonomous in managing both governance and economic resources.

However, the potential of human resources in Bleberan Village is not yet fully optimized for mutual benefit with BUMDES. Examining the physical and non-physical potential in Bleberan Village, it appears that local communities have the drive to seek answers and solve the complexities of various common problems. There are several problems faced by Bleberan Village residents, namely (1) the need for more socialization about BUMDES and its products for the community; (2) the special character or uniqueness of the village has not been found yet; (3) lack of community motivation, due to the tendency of village development towards infrastructure; and (4) young people are less active because they are separated from each other and have not been involved in marketing BUMDES products.

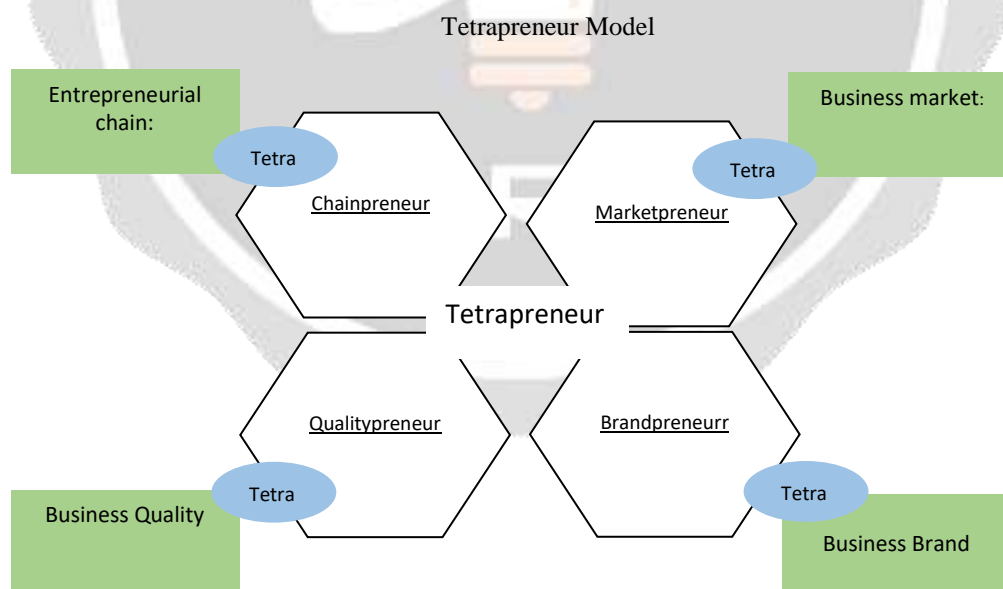
Referring to the mapping of existing problems, the village community, and their quality identification are the main factors in solving the problem. Internally, the character of the general public including the village community has a rapid change in social life, fostering a collective awareness to improve the quality of life and look for opportunities that can be used for welfare. This is built by the existence of a mutual trust, co-effectiveness, proactive actions, and internal-external relations in building social networks supported by the spirit of virtue for mutual benefit as a reflection of the power of the community (Inayah 2012).

Referring to the quality of BUMDES products that have not been fully controlled and the villagers have not fully understood the benefits of BUMDES, there is a need for research aimed at developing the quality of village-owned businesses and preserving the economic resilience of the community with a better entrepreneurial system. This study will systematically explain the growth of collaboration between villages and entrepreneurs through BUMDES in Q-BUMDES using the Tetrapreneur Model (Fatimah 2016). The Tetrapreneur Model is used to respond to the mapping of problems that have been previously presented into four holistic approaches, namely mapping the conditions of village entrepreneurship (Chainpreneur); identification of the needs of village entrepreneurs in running and developing their businesses (Marketpreneur); the implementation of the Tetrapreneur Model to design Q-BUMDES (Qualitypreneur); Determination of the stakeholders who are responsible for the construction of Q-BUMDES (Brandpreneur).

## Literature Review

### *Tetrapreneur Business Sustainability Model*

Tetrapreneur consists of four holistic approaches namely Chainpreneur, Marketpreneur, Qualitypreneur, and Brandpreneur.



Source: Rika Fatimah (2016)

Figure 1.

Chainpreneur or Entrepreneurial Chain is a new approach to describe the condition of entrepreneurship using the supply chain philosophy. The supply chain consists of all parties involved, directly or indirectly, in meeting customer demands (Fatimah 2012). The goal of each supply chain should be to maximize the overall value generated. This value is known as supply chain surplus (Cavinato 2002).

Marketpreneur or Entrepreneurial Market is an innovative point of view to identify the needs of entrepreneurs at each stage by projecting market activities that meet the needs, desires, and expectations of consumers. Consumers are not limited to those who interact directly or buy products/services. To achieve and maintain profitability, businesses have found that they must produce quality products, operate efficiently, and be socially and ethically responsible in dealing with consumers, employees, investors, government regulators, and society (Ferrel et al. 2014; Fati-mah 2009). These groups have a stake in the success and business outcomes of the so-called key people.

Qualitypreneur or Entrepreneurial Quality is a quality approach (Sower 2011) in providing practical recommendations in characteristics to satisfy the express or implied needs of entrepreneurs' needs, wants, and expectations. Next is the Brandpreneur or Entrepreneurial Brand; the association's strategy to encourage entrepreneurial growth by using the Brand Value Approach, then specifying the specifically responsible stakeholders. The aim is to strengthen strategic position in the market, maintain life cycle, and compatible ability to compete and collaborate (Keller et al. 1992) through global best practice. Having best practices, Benchmarking is one of the most well-known techniques for identifying best practices in successful global entrepreneurship models.

### ***Theory of Resource-Based View***

To realize an independent village, resources from the village are needed. Business units operating in villages must have distinctive features and competitive advantages to make a significant contribution to improving the welfare of the village community. Based on the resource-based view theory, the village must have resources that are valuable, scarce, not substituted, and not imitated (Barney 1991). These competitive advantages are determined by social capital, human capital, and financial capital (DeMassis et al. 2011). Social capital is related to the relationships between people within the organization (internal social capital) and between the organization and outsiders (external social capital).

According to the World Bank (1998), social capital is a society including institutions, relationships, attitudes, and values that guide interactions between people and contribute to economic and social development. Social capital requires the value of sharing and organizing roles that are expressed in personal relationships, trust, and shared responsibility. Human capital is defined as the knowledge and skills inherent in people (DeMassis et al. 2011). In addition, human capital can be associated with high dedication and commitment (Cabrera-Suarez et al. 2001), motivation (1988), and high personal relations.

### ***Social Model***

According to Bourdieu (in Field 2008), the definition of social capital is the number of resources, actual or virtual (implied) that develops in an individual or group of individuals because of the ability to have a network that can last a long time in relationships that are more or less institutionalized based on knowledge and mutual recognition.

Community life in which three types of capital are known, namely economic capital, cultural capital, and social capital (Hauberer 2011). The distribution structures of various types of capital are following the structures inherent in the social world or social fields. Capital that develops the highest effectiveness in a particular field depends on the respective application areas and on the transformation of costs that arise in the conversion process from one capital to another (Bourdieu in Hauberer 2011).

In addition to Bourdieu, Fukuyama also put forward the notion of social capital, which is related to informal norms. These norms must be manifested in real human relationships (Fukuyama in Dwiningrum 2014). Social capital is an important element for the functioning of economic efficiency and cannot easily be created or shaped through public policy. Social capital must lead to cooperation within groups and therefore be related to traditional policies such as honesty and keeping commitments to do tasks consistently, reciprocity, and so on. Social capital can be defined in part by a set of values or certain informal norms that are mutually used among group members that allow cooperation between them.

## Methodology

Each Tetrapreneur model has different data collection methods to be able to synthesize research findings. The Chainpreneur or Entrepreneurial Chain approach uses secondary data in the form of a literature review. In this approach, data related to the general chain, dynamic chain, and chain characteristics are needed. Furthermore, for Marketpreneurs or Entrepreneurial Markets and Qualitypreneurs or Entrepreneurial Quality, both will use primary data obtained through Focus Group Discussions (FGD) or In-Depth Interview (IDI), and offline/online surveys. The Entrepreneurial Market uses data on the intention and motivation of entrepreneurs as well as managerial, entrepreneurial, and networking competencies.

Furthermore, for Entrepreneurial Quality, data analysis is carried out by mapping the types of global best practices that meet entrepreneurial needs, wants, and expectations. The Brandpreneur or Entrepreneurial Brand Approach uses secondary data in the form of a literature review. All stages will collect data from best practices in the community, the environment, online, creative, and beginning. Based on the Entrepreneurial Brand approach, data analysis was carried out using a brand value and benchmarking approach. The brand value approach is defined as the development of the typical values of responsible stakeholders while benchmarking is defined as referring to global practices in the entrepreneurship model.

The data analysis consisted of 1175 respondents in 235 villages in Langkat regency consisting of Youth Organization, PKK, BUMDES, KWT, and Gapoktan, while the sample in this study used a saturated sample or all population members were sampled in this study.

## Results and discussion

To obtain accurate data and information, data collection is carried out using several methods such as (1) Direct observation of the situation of the village; (2) In-depth interviews (IDI) with village officials; (3) Questionnaire to villagers in Desa Bleberan; (4) Group discussions with influential community groups such as managers of BUMDES, PKK, KWT, Karang Taruna, joint business groups (KUB), PAMSIMAS and hamlet heads; (5) Focus Group Discussion (FGD) with representatives of each member of community groups and village institutions as an effort to cross-check the information obtained from the previous data collection steps.

In addition, the presentation of the results of the Tetrapreneur Model consists of four main parts, namely 1) the Entrepreneurial Chain (Chainpreneur); 2) Entrepreneurial Market (Marketpreneur); 3) Entrepreneurial Quality (Qualitypreneur); and 4) Entrepreneurial Brand (Brandpreneur). In detail, the results show three main priorities, namely 1) Fact of Gap Improvement; 2) Facts of Potential Sustainability; 3) Supporting Facts. The fact of the Gap Repair shows deficiencies, challenges, or obstacles so that it is a priority for immediate improvement. The next priority is the Fact of Potential Sustainability, namely showing strengths or strengths so that it is a priority to be maintained and maintained. The last priority, namely Supporting Facts, is a situation or situation that supports the existing potential so that it is a priority that must be developed.

### *Chainpreneur Measurement*

In the mapping of village entrepreneurship conditions (Chainpreneur), two (2) Gap Improvement Facts were found, namely 1) Chain Fact 1, wanting to be fast but production only if requested by customers and 2) Chain Fact 2, Insufficient information mismatch and outsourcing. These two facts indicate that village products are produced only when requested by customers or services provided. In addition, most of the public stated that limited production was also due to insufficient access to information to develop a business. As for access to the main information needed, among others (1) raw materials; (2) Customers / Markets; (3) Access to Finance. Not only access to information needed to increase production capacity but also people still need outsourcing. However, the two facts of this Improved Gap Chain are inconsistent when seen from the findings of the research that shows the measurement of community priorities on skills needs (5th rank) and access to facilities (7th rank) which are not the main priority in the Entrepreneurial Market.

Apart from the fact of improvement, there is also one (1) Fact of Potential Sustainability, namely Fact of Chain 3, the suitability of the community in the procurement of raw materials, the desire for the price to be the same or lower than the market. The fact that the repair gap has previously been stated is that it produces only when requested by the customer. The production strategy is following the raw material procurement strategy which also adapts to customer demand. Therefore, the price of their product/service is the same or lower than the

market price to match the business capacity of the village community. The suitability between the production strategy, procurement of goods, and pricing will maintain business continuity. Excessive production or excessive accumulation of raw materials does not occur so that prices are escorted by buyers' requests, namely the same or lower than the market.

### ***Marketpreneur Measurement***

In identifying the needs of village entrepreneurs in running and developing their business (Marketpreneur), there are two Gap Improvement Facts, namely 1) Market Fact 1: Business people have not been able to assess their consumer segment. It is shown when the respondent empties the market segmentation questionnaire even though market priority is the second most valuable information according to respondents. This shows that respondents do not know how to explore and use information about customers or market segmentation. This is quite important because the market introduction is in line with the facts of Chain and Market 4 which want to be fast (responsive). The quality of market adaptation determines the speed at which a business enterprise responds to the demands of its customers. The next fact is 2) Market Fact 2: Business actors want to be fast (responsive), but seeing chain respondents (PKK, KWT, and BUMDES) refers to Chain Fact 3 that wants product prices to be lower than the market will cause inefficiency. As a result, reinvestment funds in facilities, transportation, and production using responsive methods are not maximal because they are not supported by price compensation which should be more competitive.

In addition, there is also one supporting fact, namely Market Fact 3: business players as a whole state that special moments of increasing sales occur before holidays, year-ends, or holidays. Some respondents stated that the moment of school holidays was a moment of increasing sales. Market attention at this particular moment is consistent with the demographics of consumers, namely male and female consumers have quite the same proportion, while based on the age of adolescent consumers (19 to 25 years) dominate the types of consumers and consumers who are not from Langkat Regency dominate.

Furthermore, there is one Potential Sustainability Fact which is Market Fact 4: The want chain is fast and the market wants it fast (responsive). Market Fact 4 shows the suitability of ideal conditions or conditions expected by business actors, namely the suitability of production strategies that tend to be responsive to markets or responsive consumer demands. Even though the current condition is that production strategies are not responsive, it tends to be efficient, that is, production is only done when requested by consumers. However, the expectations of business actors have shown their understanding that customers are more comfortable if products are always available without waiting to be requested.

### ***Qualitypreneur Measurement***

Furthermore, in implementing the Tetrapreneur Model to design Q-BUMDES (Qualitypreneur) it is divided into three (3) qualities, namely: Overall Entrepreneurial Quality, Professional Social Skill (PSS), and Young PSS.

### ***Measurement of overall Qualitypreneur***

On the Quality of Entrepreneurship there are two Facts about the Gap Improvement, namely 1) Quality Fact 1: Langkat Regency entrepreneurs are in a comfortable condition; an increase in profit is not used to increase sales or workforce growth resulting in a lack of business expansion for existing village products. It can be said that there is an ineffective business growth strategy or in other words, most of the efforts that have been made have not provided optimal results or are in vain. This can be seen from the information obtained from the respondents, namely that 40% of sales growth is relatively the same and a 30% increase in profit but 40% of workforce growth is relatively the same. The next fact is 2) Quality Fact 2: One possibility is that business expansion will not start due to business actors' ignorance of its market segment. This fact is a consistent finding that is in line with Market Fact 3. On average, the satisfaction level of happiness, enjoyment, pride, and pleasure in doing business reaches 4.5 points from a value of 7.0 or 64.28 points from a value of 100.00. This proves that the 'nerimo' culture is very thick in Langkat District residents. The overall performance description for Langkat District respondents includes: business is still volatile, undeveloped, and uncertain. Performance descriptions against competitors for residents of Langkat Regency include increased creativity, more innovative businesses so that products can be quite competitive.

In addition, there is also one Fact of Potential Sustainability, namely Quality Fact 3: Bleberan Village's human resources are adequate in terms of production quality. Referring to the potential of educated and experienced human resources, namely 80% have been/are currently working, 30% have studied entrepreneurship with a

composition of 20% Bachelor's degree and 80% have high school education. The majority of human resources in Langkat Regency are those who have worked and are educated, which is a potential for development and maintaining the sustainability of village product production. The quality of the production process from upstream to downstream, of course, can be further improved by providing training and access to appropriate knowledge by what is needed.

Furthermore, there is one Supporting Fact, namely Quality Fact 4: 100% of respondents said they needed to register product copyright. Of these 10% stated that they had registered product copyright, 60% stated that they had not registered, and 30% said that copyright was not relevant to their product. The majority of villagers' businesses are private companies. On average, people's businesses are not certified halal and according to residents, PIRT and halal certificates are needed and urgent to obtain, as well as product copyrights. Citizens are aware of the importance of product copyright, but only some have registered their product copyright. Awareness that the legality and standardization of products to be more accepted by the market is one of the supporting factors in developing the quality of the village's products.

### ***Measurement of the Quality of Professional Social Skills and Young PSS***

Measurement of Professional Social Skill (PSS) is carried out by comparing the capacity of business actors with actors outside the village or hereinafter referred to as Non-Langkat Regency. PSS Quality Findings consist of two Improvement Gap Facts, namely 1) Quality Fact 5: Three of the four dimensions of lower quality when compared to general and Langkat Regency namely Innovation, Performance and Service Quality, and Quality Fact 6: Only one Basic Understanding of Entrepreneurship is higher than General & Non-Langkat District. Both Facts Facts 5 and 6 are not aligned. Unconformity can be seen that although the knowledge to change in entrepreneurship tends to be better when compared to respondents from Non-Langkat Regency, it does not mean that Langkat Regency moves more dynamically. This finding is consistent with previous findings, namely the tendency of the people of Langkat Regency to be reluctant to change and to be passive so that elements of change such as innovation and improved performance and service quality have not become a priority.

In addition, there are two Potential Sustainability Facts, namely 1) Quality Fact 7: The results of measuring the Entrepreneur Need Index (ENI) for the Dimensions of Commitment and Customer Satisfaction show five ideal items, meaning 'Importance = Satisfaction' so that quality measures are necessary is maintained. Business operators in Langkat Regency already think that what they have put in to satisfy customers is under their interests. Quality Fact 7 is further strengthened by the customer service that Bleberan Village has worked for can also be continued. This can be referred to in 2) Quality Fact 8: Measurement of ENI for Dimensions of Langkat Regency Service Strategy is higher than Non-Langkat Regency and measured Ideal which means Importance = Satisfaction so that the necessary quality measures are maintained.

This is a measure of young entrepreneurs in Langkat Regency which is then referred to as the Quality of Young PSS. Measurement of Young PSS, there is one Fact of Gap Improvement, namely 1) Quality Fact 9, there is no Basic Understanding of Young Entrepreneurs which is higher than General and Non-Langkat Districts. In addition, there is one Fact of Potential Sustainability, namely 2) Quality Fact 10, in which all Dimensions of Young PSS are higher than General & Non-Langkat District. This finding is interesting, indicating that the role of youth in the village has not been optimized. When viewed from the aspect of knowledge capacity, youth in Langkat Regency is still far behind. However, the motivation and talents of youth in Langkat District show more abilities when compared to non-Langkat Regency youth. Therefore, training and access to opportunities should be provided to youth so that later they can bring about better entrepreneurial changes in Langkat Regency

### ***Brandpreneur Measurement***

An interesting finding on the measurement of Entrepreneurial Brand is by referring to the findings of other groups, namely the Entrepreneurial Chain, Entrepreneurial Market and Entrepreneurial Quality which show some limitations but the majority of respondents are exposed and actively participate in entrepreneurship programs organized by the village government as well as the local government. This can be reflected in determining the stakeholders responsible for the development of Q-BUMDES (Brandpreneur) as two different facts, namely 1) the Fact of Potential Sustainability. It becomes a potential when the results of the programs that have been followed can actually be implemented in entrepreneurship development in Langkat Regency. However, it becomes 2) Fact of Gap Improvement if Langkat Regency knows and follows actively and government programs and feels ideal about its business situation only because it has not been updated or lacks access to information about conditions outside Langkat Regency.

## Conclusion

One of the solutions in improving rural entrepreneurship in Indonesia needs a program that supports the entrepreneurial activities of all stakeholders (policy stakeholders). Referring to the explanation of the results of designing a village entrepreneurship system using the Tetrapreneur Model in Bleberan Village, this section will describe the program recommendations for developing Q-BUMDES and preserving the community's economic resilience and adaptive welfare.

### *Chainpreneur Recommendations*

The results show that to realize the sustainable development of the Q-BUMDES and Langkat business chains, it is necessary to provide facilities as well as faster types of transportation to meet customer demands. However, respondents only produce when requested by customers and the services provided follow existing capabilities. Products should always be available when needed by customers and the services provided follow customer requests.

In addition, increasing the efficiency and effectiveness of Q-BUMDES and Desa Bleberan can be done by providing information in developing their businesses. The three aspects of information that according to respondents were the most important were (1) Raw Materials; (2) Customers / Markets and (3) Access to Financing. Information can be updated continuously through the online system (WA Desa / SMS Desa) and offline (village announcement board). Material adjustments that are adjusted not only to buyer demand but also predictions of market demand that must be provided in advance (ready stock) to be able to respond to the market better which ultimately also increases profit for Langkat Regency.

### *Marketpreneur Recommendations*

Recommendations for the Entrepreneurial Market (Marketpreneur) focus on two components, namely the business chain strategy of the business actor/business in facing the market and the perspective of the business actor/business on the market/customer. The choice of a responsive strategy or cost-saving by Q-BUMDES and Langkat Regency business actors is balanced both in idealism and in actual practice. However, based on the results and recommendations of the actual chain residents of Langkat Regency are more directed towards responsive strategies. This is in line with non-residents of Langkat Regency. Thus, a similar recommendation is recommended that is more towards a responsive strategy.

### *Qualitypreneur Recommendations*

Recommendations for increasing the value of human resources in Q-BUMDES and Langkat Regency, namely that village entrepreneurship learning is needed. The component of appreciation and gratitude for the business performance of Q-BUMDES and Langkat Regency shows that the current trend of village performance is relatively better than that of non-Langkat Regency, in terms of sales and profit growth. The performance of this business must be grateful and appreciated so that it can increase the strength of the business in terms of entrepreneurial character. Also, the award for the best village entrepreneurship can be done by village officials in collaboration with village organizations to increase entrepreneurial interests and intentions.

### *Brandpreneur Recommendations*

The Entrepreneurial Brand measures the efforts of policymakers to promote village products. The measurement of the Entrepreneurial Brand consists of two main parts, namely the effectiveness of government programs and direct questions for business actors/businesses in Langkat Regency. The first recommendation regarding the effectiveness of local and village government programs can be made through 1) Increasing Program Socialization; 2) Documenting the use of government programs and 3) Making a village library that contains the essence of government program documentation. The second recommendation is based on direct measurement, namely that business actors in Langkat Regency feel ideal about their current business situation.

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