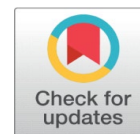


THE GOVERNANCE AND THE BUSINESS PERFORMANCE OF VILLAGE-OWNED ENTERPRISE USAHA PRAJA AND THE IMPLICATIONS FOR THE COMMUNITY'S WELFARE IN DOPLANG VILLAGE BAWEN DISTRICT SEMARANG REGENCY



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ABSTRACT

This explanatory research aims to analyze the managerial influence of village-owned enterprise, Usaha Praja, toward the performance and the implication for the villagers' welfare in Doplang, Bawen district, Semarang regency. The researcher took 100 respondents purposively as the sample from the village community. The results showed that the management significantly influenced the village-owned enterprise's performance. The village-owned enterprise's performance influenced the village community's welfare. Then, the village-owned enterprise's management significantly influenced the community's welfare. The contribution of the village-owned enterprise's management and performance was 61.7%. The performance could mediate the correlation between the management and the community's welfare. The village-owned enterprise must encourage the community to support the village-owned enterprise's management with innovative and local-signature products.

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Keywords: The Village-Owned Enterprise's Management, Performance, The Village Community

1. RESEARCH BACKGROUND

A village is a community unit that has juridical law or legal parameters. It also has the authority to regulate and manage the local community's interest based on the proposals and acknowledged customs. A village is established based on the national government system within a region of a regency (Law Number 32 the Year 2004). The government of Indonesia is committed to improving remote villages by empowering all regions and villages within the framework of the Unitary State of the Republic of Indonesia (NKRI). One of the efforts to realize it is by developing village economic potentials. The government optimizes the role of village-owned enterprises (BUMDES).

BUMDES is a village institution managed by the local community and government to empower the village's economy. It exists due to the local needs and potentials by considering the local wisdom. A BUMDES aims to improve the village economic potency management under the framework of community needs. Thus, it could improve the local community incomes, the village economy, and the efforts of economic equity. BUMDES influenced the local community's welfare ([Caya and Rahayu \(2019\)](#)). Excellent management of a BUMDES could support managerial performance, productivity, service quality, and responsiveness ([Dwiyanto \(2017\)](#)). The management should



include the managerial practice with transparent principle, professionalism, rule of law, and the vision-based strategy (Sofyani et al. (2020)).

Studies found the influences of business performance toward the BUMDES' management. The influence also affected the local community's welfare. A study on a BUMDES, *Usaha Praja*, in Doplang, Bawen district, Semarang regency, investigated the enterprise's performance and the local community's welfare. These variables had a causal correlation. The researchers chose BUMDES because the enterprise became the pilot of the village-owned enterprise in Semarang regency. This research aims to describe the results of the enterprise's management the enterprise. The researchers expect the enterprise could support the performance and improve the local community's welfare. The researchers also examined, confirmed, and followed up on the relevant previous studies. Thus, the results would be contributive for the village stakeholders in terms of BUMDES' managerial responsibility.

2. A LITERATURE REVIEW

2.1. GOAL-SETTING THEORY AND STEWARDSHIP THEORY

The *goal-setting theory* explains the importance of the correlation and the applied objective toward the performance, proposed by Locke (1968). The village-owned enterprise's managerial business has a clear objective, to empower the village economy. On the other hand, the *stewardship theory* describes the situation of an unmotivated manager by an individual's objective but it applies the objective for the sake of an organizational interest to achieve the target (Donaldson & Davis, 1991). The organizational interest of the enterprise covered the business target and the performance target. The enterprise's management must realize the target based on the specific characteristics of the village-owned enterprise.

3. THE GOVERNANCE OF THE VILLAGE-OWNED ENTERPRISE

The BUMDES' governance principle, based on the Regulation of the Ministry of Village, Development of Disadvantaged Regions, and Transmigration of the Republic of Indonesia, Number 4 the Year 2015, covers (a) cooperativeness, the village-owned enterprise requires the integrated cooperation from all participating components to manage the enterprise. (b) participation, all participating components voluntarily support and contribute to encourage the advancement of the business. (c) *emancipation*, all components must receive equal treatments without any racial, tribal, and religious discriminations. (d) *transparent*, the activity should influence the general community's interest and should be observable and transparent. (e) *accountable*, all activities must be technically and administratively responsible. (f) *sustainable*, the business should be able to develop and preserve. Sofyani et al. (2020) proposed some governance elements of a village-owned enterprise, such as transparency, responsiveness, professionalism, and rule of law.

4. THE PERFORMANCE OF THE VILLAGE-OWNED ENTERPRISE

Performance refers to a task or job result. It has a strong correlation with an organizational purpose, customer satisfaction, and economic contribution (Lawasi & Triatmanto, 2017). Performance is a job or task result to achieve success. Curristine (2005) explains performance as an activity to achieve the goal. Any related organizational activity with performance achievement, a village-owned enterprise must achieve success. This research sees some indicators in performance. They are productivity, service quality, and responsiveness (Dwiyanto (2017)). Productivity has a correlation with the outcome of the enterprise. The

quality of service is correlated with the enterprise's skills to meet the community's expectations. Then, responsiveness is correlated to the responsiveness of the enterprise to respond to the community.

5. THE LOCAL COMMUNITY'S WELFARE

BUMDES, the village-owned enterprise, aims to improve the economy and welfare of the local community (Law Number 6 the Year 2014). Economic and social values become the main focus. Thus, BUMDES must empower the local community economically and socially. Community empowerment is an effort to improve the institution and to realize the advancement, autonomy, and welfare in a sustainable social justice atmosphere (Kila (2017)). Empowerment also refers to a situation or a targeted result by a social change agent that has economic, physical, and social powers in life (Chambers (1985)). The objectives of a BUMDES or a village-owned enterprise are to improve the economy and ensure the economic equity of a village (The Ministerial Regulation of Village, Development of Disadvantaged Regions, and Transmigration Minister of the Republic of Indonesia, Number 4 the Year 2015 about the objective of BUMDES' establishment, letter g).

6. PREVIOUS STUDIES

The governance of a Village-Owned Enterprise applies some principles, such as transparency, responsiveness, and professionalism to support the Village-Owned Enterprise. The results showed that excellent governance could support a BUMDES' performance (Dwiyanto (2017)). The presence of a BUMDES influences the local community's welfare level (Caya and Rahayu (2019)). The principles of the governance, based on the Ministerial Regulation of Village, Development of Disadvantaged Regions, and Transmigration Minister of the Republic of Indonesia, Number 5 the Year 2015, are cooperative, participative, emancipation, transparent, accountable, and sustainable. The previous studies showed three main research variables. They were governance, performance, and the community's welfare. The causality of the variables proved better governance of the Village-Owned Enterprise improved the performance of the Village-Owned Enterprise. Thus, it influenced the local community's welfare.

7. THEORETICAL FRAMEWORK

This research used the inter-correlated variables, such as the governance of the village-owned enterprise, the performance, and the local community's welfare as shown in the framework.

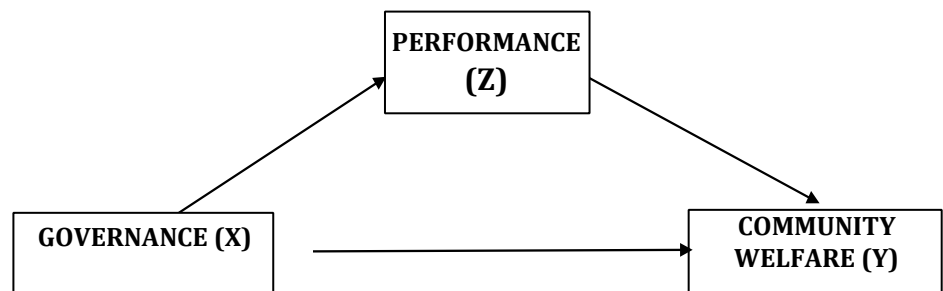


Figure 1 Theoretical Framework

8. RESEARCH METHODOLOGY

This *explanatory* research measures the influences of the governance of the village-owned enterprise toward the performance and the implications for the local community's welfare. The researchers took the data from the respondents' answers and analyzed them. The results were described and analyzed with multiple regression analysis.

9. POPULATION AND SAMPLE

The population target of the research was the local community of Dopleng, Bawen district, Semarang regency. The village had a BUMDES, a village-owned enterprise, Usaha Praja, and 4.442 adult villagers from 7 neighborhoods or wards in Dopleng village. The researcher used the Slovin formula because of the population size (Sugiyono, 2012). The result was 97.79 but the researchers made it into 100 respondents as the sample. Then, the researchers distributed the questionnaire based on *purposive sampling* or *non-probability sampling*. The applied criteria for the sample were (1) permanent citizen or inhabitant of the village, (2) adult villagers, and (3) having awareness of the BUMDES' presence.

10. THE OPERATIONAL VARIABLES

The governance of the village-owned enterprise (Sofyani et al.(2020)) added some elements, such as transparency, responsiveness, professionalism, and productivity. *rule of law*, Kinerja yang dimaksud dalam penelitian ini meliputi indikator produktivitas, kualitas layanan dan responsivitas (Dwiyanto (2017)). Productivity has a correlation with the outcome of the enterprise. The quality of service is correlated with the enterprise's skills to meet the community's expectations. Then, responsiveness is correlated to the responsiveness of the enterprise to respond to the community. A BUMDES has an objective to improve the community's welfare by providing the general service, improving the economy, and ensuring economic equity in a village (The Ministerial Regulation of Village, Development of Disadvantaged Regions, and Transmigration of the Republic of Indonesia, Number 4 the Year 2015). The researchers developed each empirical indicator into a questionnaire that was distributed to the respondents.

11. THE INSTRUMENT TEST

The researchers tested the research instrument for each variable on the respondents' answers in terms of validity and reliability. The validity test was useful to test the construct for measuring the variables based on the indicators. The researchers did this by comparing the value of r-count and r-table. If r-count was higher than the r-table, with $\alpha=0.05$, the instrument was valid and vice versa. The instrument would be considered consistent if the *Cronbach's Alpha* score was higher than 0.6 and vice versa. (Ghozali (2001)42).

12. PATH ANALYSIS

The data analysis applied multiple regression analysis to answer the connection of the causal correlation among the variables of the governance, the performance, and the local community's welfare by using *path analysis* assisted by SPSS. Here is the *path model* framework.

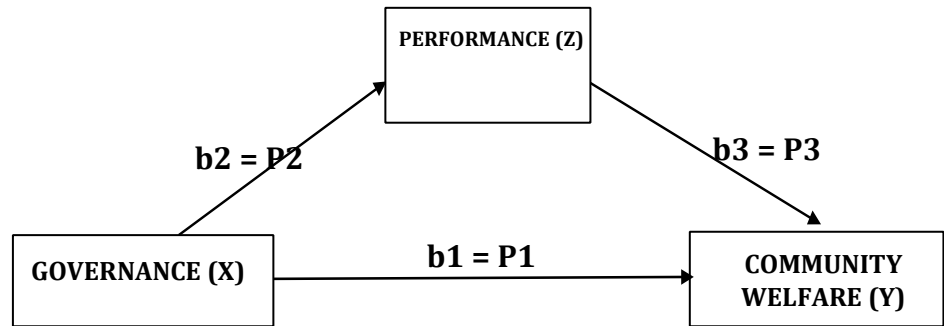


Figure 2 The Path Analysis Model

13. THE HYPOTHESIS TEST

From the research model framework, the hypotheses are: The governance of the village-owned enterprises significantly influences the business performance. The business performance significantly influences the community's welfare. The governance of the village-owned enterprises influences the community's welfare via the business performance as the intervening variable. The researchers examined the influence of the government toward the business performance, the business performance toward the community's welfare, and the financial governance toward the community's welfare with *regression analysis*. The researchers examined whether the governance influenced the business performance, whether the business performance influenced the community's welfare, and whether the business performance became the mediating variable between the governance and the community's welfare. The researchers did this with path multiplication, symbolized with P1, P2, and P3. If the multiplication of P2 and P3 is higher than P1, the performance of the village-owned enterprises was the mediating variable. However, if the multiplication of P2 and P3 is lower than P1, the performance cannot mediate the governance and the community's welfare.

14. THE RESEARCH RESULTS

14.1. THE RESULTS OF DATA QUALITY TEST

The researchers tested the data validity with the *corrected item to total correlation* test, with the level of significance $\alpha=0.05$. All construct values of each variable obtained r-count higher than r-table. Thus, the constructs were valid. The reliability test was useful to test the answer consistency. The obtained *Cronbach's Alpha* score of governance was 0.843, the performance with 0.867, and the community's wellbeing with 0.884. The *Cronbach's Alpha* scores were higher than 0.6. Thus, the results were consistent or reliable (Nunnally in Ghozali (2001):42).

15. THE HYPOTHESIS TEST

15.1. THE INFLUENCE OF THE VILLAGE-OWNED ENTERPRISE ON THE BUSINESS PERFORMANCE

The obtained t-count of the governance and the business performance is 9.160, higher than t-table = 1.99, with sig = 0.000. It proved that governance significantly influenced business performance. The governance obtained appreciation because of the BUMDES' presence. It could accommodate the local community's production that allowed the community to participated in the governance. The village-owned

enterprises also gained attention in terms of business survivability, transparent governance, and business accountability. The business performance gained appreciation because of its supports for the community's productivity and customer satisfaction. The village-owned enterprise shared its empathy for the customers and provided friendly and immediate services in handling the complaints.

15.2. THE INFLUENCE OF BUSINESS PERFORMANCE TOWARD THE COMMUNITY'S WELFARE

The hypothesis test result of the business performance toward the community's welfare obtained t-count value = 6.072, higher than t-table = 1.99, with sig = 0.000. It proved that the performance significantly influenced the community's welfare. The community appreciated the community's welfare because it improved the community's economic acceptability, lowered poverty, lowered the economic gap, improved the economy, facilitated the community to access various main necessities, and supported the public service.

15.3. THE INFLUENCE OF THE VILLAGE-OWNED ENTERPRISE'S GOVERNANCE TOWARD THE COMMUNITY'S WELFARE

The hypothesis test of the governance toward the community's welfare obtained the t-count = 3.893, with sig = 0.000. It proved the governance significantly influenced the community's wellbeing. Thus, better governance led to higher supports of the community's welfare.

15.4. THE INFLUENCE OF THE VILLAGE-OWNED ENTERPRISE'S GOVERNANCE TOWARD THE COMMUNITY'S WELFARE

The following path result could explain the governance toward the business performance and the community's welfare.

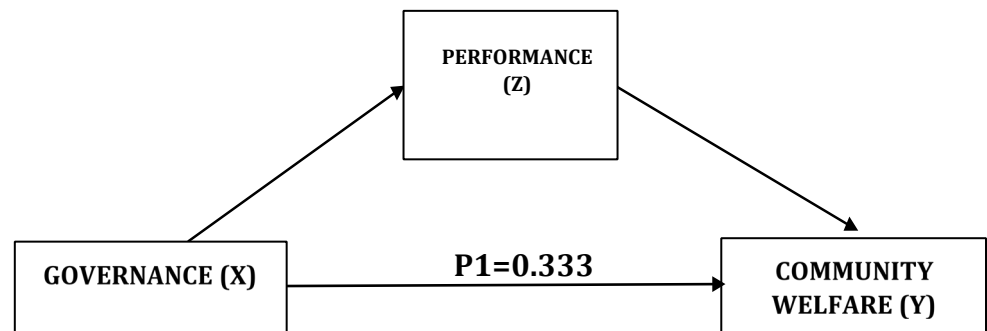


Figure 3 The Path Analysis Results

The governance of the village-owned enterprise and business performance significantly influenced the community's welfare. The governance should be supported with cooperation, participation, transparency, accountability, and sustainability. The business performance occurred due to productivity, service quality, and responsiveness. The community's welfare occurred due to the general service improvement, economic improvement, and economic equality. The influence contribution of governance and business performance toward welfare was 61.7%. The other percentage, 38.3%, came from other factors. The direct correlation between governance and welfare was shown by $P1 = 0.33$. The

correlation between governance and welfare was shown by the multiplication of $P2 = 0.679$ and $P3 = 0.520$. The obtained value was 0.353, higher than $P1 = 0.333$. It showed that the performance of the village-owned enterprise became the moderating variable of the village-owned enterprise's governance and the community's welfare in Doplang, Bawen district, Semarang regency.

16. CONCLUSION AND SUGGESTION

The first hypothesis test shows that the governance of the village-owned enterprise significantly influenced the business performance. The second hypothesis shows the significant influence of business performance on the community's welfare. The third hypothesis shows the significant influence on welfare. In this case, the governance toward the business performance had the highest coefficient, 0.679. Then, the business performance toward welfare had a coefficient of 0.520. The direct influence of governance toward the community's welfare showed the lowest coefficient, 0.333. The business performance of the village-owned enterprise mediated the variable of the governance and the community's welfare. The business performance gained appreciation because of its supports for the community's productivity and customer satisfaction. The village-owned enterprise shared its empathy for the customers and provided friendly and immediate services in handling the complaints.

The presence of the village-owned enterprise improved the productivity of the villages. It would raise the community's trust so that BUMDES or village-owned enterprises had to encourage them to produce innovative products. The production development in Doplang, Bawen district, Semarang regency was based on agriculture production and other products based on the local wisdom. This research proved the business performance could mediate the BUMDES" governance and the community's welfare. Thus, the research model could be used for further researches with different variable variations, combinations, and sites.

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