



IDENTIFICATION OF INTERNAL AND EXTERNAL FACTORS OF BUMDES IN THE CONTEXT OF INSTITUTIONAL STRENGTHENING TO OPTIMIZE THE UTILIZATION OF VILLAGE POTENTIAL

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Abstract. Village-owned enterprises are significant institutions that utilize the economic potential of villages through community empowerment. However, in practice, BUMDES often face various challenges affecting their performance. This condition causes the role of BUMDES to be not optimal in improving its performance. BUMDES is one of the village institutions expected to accelerate the efforts of the village government to realize community welfare. Therefore, it is necessary to strengthen the institution of BUMDES based on internal and external factors that can affect its performance. The purpose of this study is to identify these factors. This research is a case study using an analytical descriptive method located in Sunyalangu Village, Karanglewas District, Banyumas Regency, with the research object being BUMDES in Sunyalangu Village. The research respondents consisted of managers and members of BUMDES and village governments. The respondents were determined based on purposive sampling. The data was analyzed qualitatively. The results of the study found several internal factors that are the strengths and weaknesses of BUMDES, as well as several external factors that are opportunities and threats for BUMDES. These factors can be the basis for determining policies to strengthen the institution of BUMDES. With a vital institution, it is hoped that BUMDES will be able to optimally utilize the various strengths and opportunities and minimize the various weaknesses and threats faced so that they can optimize their role in utilizing the Village's potential to realize the welfare of the village community.

Keywords: institutional strengthening, BUMDES, internal and external factors, optimization of village potential, community welfare

A. Introduction

Village-owned enterprises (BUMDES) are significant institutions that utilize the economic potential of villages. BUMDES is one of the government's policies to support village development. Therefore, implementing Law No. 6 of 2014 concerning Villages is very important. BUMDES is a means to encourage community participation in village development (1).

However, in practice, BUMDES often face various challenges affecting their performance. Managers still face various challenges in implementing the BUMDES work program, including inconsistencies in implementation and regulations, lack of quality human resources, and lack of synergy between village governments and BUMDES (2). BUMDES is one of the economic institutions in the Village that is expected to accelerate the village government's efforts to realize community welfare by empowering the village community to utilize the potential of their villages. Thus, strengthening BUMDES institutions is urgently needed to improve the



performance and utilization of village potential. Through a vital BUMDES institution, it is hoped that it will increase Village Original Income (PADes) as one of the internal sources of village income. High PADes can make villages more independent in various efforts to create community welfare.

A phenomenon that is widely found is that although almost every Village has BUMDES, the fact is that BUMDES institutions still have suboptimal performance. Based on data from the Social and Community and Village Empowerment Service, as of June 2021, in Banyumas Regency, 271 villages have BUMDES. Based on the performance category, there are 13 BUMDES units, including the Basic category consisting of 27 units, including the Growth category, three units including the Developing category, and two units including the Advanced category (3). However, based on the results of previous research, BUMDES has not carried out its functions optimally. There are two strategic functions of BUMDES, namely as social and commercial institutions(4). The suboptimal role of BUMDES in supporting the development of rural communities is also shown in the results of the research of Hilmawan (5), which found that the impact of BUMDES on rural development is still weak. The results of previous research also show that BUMDES in Banyumas Regency only functions as a social institution, not yet as a commercial institution (6). Thus, there is still an opportunity to optimize the role of BUMDES by encouraging its capacity as a commercial business unit. In other words, it is essential to strengthen BUMDES as an economic institution in the Village to increase its role in community empowerment by utilizing local economic potential as a productive activity. However, BUMDES has faced various obstacles in its implementation, so it has not played an optimal role in supporting village economic development.

The condition of BUMDES, as described above, seems to generally occur in most BUMDES in Banyumas Regency, one of which is as happened to BUMDES in Sunyalangu Village. It is one of the BUMDES in Banyumas Regency that is active and shows positive performance. However, based on a preliminary survey through interviews with the Director of BUMDES and the Head of Sunyalangu Village, an overview was obtained that the BUMDES have not been able to utilize the entire economic potential of the Village, where Sunyalangu Village has relatively large potential in the agricultural sector. It is necessary to strengthen institutions to improve the performance of BUMDES. The research results (3) Show that for the strengthening of BUMDES, the right strategy is needed based on the internal and external conditions of the BUMDES. Therefore, it is essential to research the identification of internal and external factors of BUMDES in Sunyalangu Village to strengthen the institution so that it can optimize its role in utilizing local economic potential to improve the welfare of the village community.

Based on this background, this study aims to identify internal and external factors of BUMDES that can affect their performance and optimize the utilization of village potential in Sunyalangu Village, Karanglewas District, Banyumas Regency.

B. Methods

This research is a case study using an analytical descriptive method. This study wants to describe the state of a variable condition without looking at the existence or absence of an influence or relationship on other variables. (7). This research is located in Sunyalangu Village, Karanglewas District, Banyumas Regency, with the research object being BUMDES in Sunyalangu Village.

This research uses secondary data from the Central Statistical Agency (BPS), the Community Empowerment Office, and the BUMDES Annual Report. This study uses primary data from observation, in-depth interviews, questionnaires, and FGD. Interviews and FGD were conducted to understand their perspectives on internal and external factors that affect BUMDES and to obtain various opinions and experiences from various elements of society related to



BUMDES (8)(9). The collected data is processed using data reduction methods, displays, and categories (10). The data were analyzed in a qualitative descriptive manner. Interviews and questionnaires were conducted with BUMDES managers, BUMDES members, and village governments. The selection of respondents from BUMDES members is carried out by purposive sampling, which is determined based on the type of business they do, including members who have coconut sugar businesses and cardamom businesses. Respondents were determined by purposive sampling based on each type of business: ten people each. Data collection was carried out by random sampling, with the consideration that the characteristics of the respondents were homogeneous, namely the scale of small businesses. Thus, 20 respondents from members were obtained, five of BUMDES Managers and five of representatives from the Village Government. The total number of respondents in this study is 30. The FGD participants, in addition to the previous 30 respondents, were also added by keynote speakers from the Banyumas District Community Empowerment Office, community leaders, and potential communities to make capital participation in BUMDES.

C. Results and Discussion

BUMDES in Sunyalangu Village has been actively operating since 2021 with business units focusing on utilizing the potential of the local economy, namely the agricultural sector, such as the development of crystal sugar businesses, rental of crystal sugar oven services, and cardamom trading businesses. To develop crystal sugar, BUMDES receives sugar from coconut sugar farmers in the form of crystal sugar, then baked by BUMDES, and BUMDES also plays a role in distributing the results of the crystal sugar oven to export partners, in this case, PT Pondok Daya. To develop cardamom products, BUMDES collaborates with cardamom farmers. Cardamom products have become an export commodity even though they are not optimal because there are still limitations for farmers in cardamom production and in producing cardamom that meets export qualifications. Funding, among others, comes from the Village Fund. In the 2022 period, BUMDES has been able to contribute to PAD of IDR 4,584,447, and in the 2023 period, the contribution has increased to IDR 8,868,964 (11)(12).

However, based on the interview with the Director of BUMDES, it can be seen that the business development efforts are still not optimal. If developed properly, it can significantly contribute to the Village and the empowerment of the farming community in particular.

It is necessary to strengthen the institution of BUMDES to optimize the role of BUMDES. The first step that needs to be taken is to identify the understanding of BUMDES actors towards their role. It is essential to have motivation to carry out their responsibilities. Next, it is necessary to identify the internal and external factors. It is crucial as a basis for policy-making for solutions to various obstacles BUMDES faces.

1. Understanding of BUMDES Actors Related to Their Role

BUMDES considers that BUMDES has an essential role in supporting the economic progress of the village community. It can be seen from the role of BUMDES in direct contact with the community so that some people benefit from it. BUMDES can support the community's ability to do business, especially for village farmers. The role of BUMDES in the community's economy can increase income and create jobs for the people of Sunyalangu Village; for example, in terms of crystal sugar and cardamom production, some village farmers make it their main livelihood to meet their needs.

The existence of BUMDES is considered satisfactory for the community. They can distribute their production to BUMDES, although it is not optimal because not all productive people have joined BUMDES. They will earn income from the sale. The next plan is to increase the role of BUMDES in optimizing local economic potential, including by activating fisheries businesses, waste management, and developing tourism potential.



In achieving the goals of BUMDES, cooperation is needed to increase capital and business networks. So far, collaboration with third parties is only planned to develop fishery businesses and create productive parks for BUMDES.

2. Internal and External Factors of BUMDES

Based on the results of the interviews and FGDs, several internal and external factors can be identified that can affect the performance of BUMDES. Internal factors come from within BUMDES itself, which are aspects of strengths and weaknesses. External factors are factors that come from outside of BUMDES, which are aspects of opportunities and threats. These internal and external factors can be described as follows:

a. Internal Factors

1) Strengths

- a) BUMDES already has the legality of establishment
- b) Relatively orderly administration
- c) Can contribute to PAD
- d) Labor absorption
- e) The recognition of the economic potential of the Village
- f) The desire of BUMDES managers to improve their knowledge and skills

2) Weaknesses

- a) The level of activity in the management of BUMDES still depends on specific figures
- b) Capital Limitations
- c) Human resource qualifications are inadequate.
BUMDES often faces problems in terms of quality human resources. Lack of management and financial skills can hinder the performance of BUMDES (8).
- d) The applicable marketing system is still conventional
- e) Limited technological capabilities
- f) Not able to take advantage of all the potential of the Village
- g) There has been no identification of public satisfaction with BUMDES, resulting in a lack of community participation in BUMDES
- h) Limited synchronization of BUMDES programs with community needs.

b. External Factors

1) Opportunities

- a) Availability and implementation of legal rules on the legality of BUMDES
- b) Market openness (domestic and export)
- c) The availability of social media and information technology as a medium for marketing and business development
- d) The openness of cooperation between BUMDES and other institutions/external parties

2) Threats

- a) Limited public trust in BUMDES
- b) Conflict of interest

Identifying the internal and external factors of BUMDES can be used as a basis for determining steps to strengthen the institution. Strengthening BUMDES institutions is urgently needed to improve village performance and potential, including (1) Increasing Village Original Income (PADEs). BUMDES can improve PADEs by developing competitive and relevant



businesses that are relevant to the potential of village resources. The higher the income, the more effective BUMDES is in improving community welfare [8]. (2) Community Empowerment. The active participation of the community in BUMDES activities is essential. With support from the community, BUMDES can more easily develop their businesses and increase the utilization of village potential (9).

Supporting factors are needed to realize a robust BUMDES Institution, including (1)—government Commitment. The government's commitment is fundamental in supporting BUMDES. Supportive government policies can help improve the performance of BUMDES and strengthen the potential of villages (8)(9). (2) Natural Resources Potential. The availability of natural resource potential can be a precious resource for BUMDES. With the potential of existing natural resources, BUMDES can develop a more competitive business (8). (3). support from the community. Active community participation is critical to improve the performance of BUMDES. With support from the community, BUMDES can more easily develop their businesses and increase the utilization of the Village's potential (9) (4)—strong intentions from the Administrators. The firm intention of the BUMDES management is also a supporting factor. Administrators who strongly intend to develop BUMDES can make more significant changes to improve the performance of BUMDES (13). The results of previous research show that the role of the government, the management competence of BUMDES managers, the use of information and technology, and social capital have a positive effect on improving the performance of BUMDES (14). The study results align with (2) that BUMDES has proven to encourage rural entrepreneurship through community empowerment, capacity building, and the support and involvement of all stakeholders. BUMDES was established by government policies based on the village deliberation process as the culture of Indonesian society, which involved elements of the village government, associations, and the community.

D. Conclusion

The results of identifying internal and external factors of BUMDES in Sunyalangu can be the basis for taking the right solution to strengthen the BUMDES institution. With strong BUMDES leadership, active community participation, and support from the village government and all stakeholders, it is hoped that the institution will be able to make optimal use of its strengths and opportunities to minimize weaknesses and threats and strengthen its economic institution. Thus, it is hoped that the institution can carry out its role more optimally in realizing a Prosperous Village Community.

E. Acknowledgment

Thank Universitas Jenderal Soedirman and LPPM Unsoed for facilitating the implementation of this research through the Riset Terapan Unsoed research grant with BLU funding in 2024, with contract number 26.319/UN23.35.5/PT.01/II/2024. The researchers also expressed gratitude to BUMDES, the Sunyalangu Village Government, and all parties who have helped implement this research.

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