

Do Capital Participation and Omzet Increase the Profit of Village-Owned Enterprises?

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Abstract

Capital participation and omzet are considered important factors that affect the financial performance of BUMDES (Village-owned enterprises), especially the profits generated. This study aims to examine the effect of capital participation and omzet on BUMDES profits. The method used is secondary data analysis and survey of BUMDES in Aceh Province, Indonesia. Data is taken from BUMDES' financial statements and survey results that ask about capital participation, omzet, and profit. Descriptive statistical analysis and multiple linear regression are used to analyze the data. The results showed that capital participation has a positive influence on BUMDES' profits. Greater capital participation gives BUMDES greater capital to develop their business, which in turn can increase revenue and profits. In addition, omzet also has a positive influence on BUMDES' profits. The practical implication of this research is the importance of the government and other stakeholders to support capital participation and increase the omzet of BUMDES as a strategy to improve the economic welfare of rural communities.

Keywords: Bumdes, capital participation, omzet, profit

1. Introduction

In improving development in the village, various efforts are made for the welfare of the community. One of the things that can be done is village entrepreneurship. Village development aims to improve the quality of human resources, provide employment opportunities, and reduce poverty through community participation in the development of the village (Alamanda et al., 2023) (Muda and Erlina, 2020). Rural communities work more in agriculture, plantations, and fisheries, compared to urban residents who mostly work in the industrial, service, and trade sectors. Villages have great potential when compared to cities because many villages have abundant natural resources. In Indonesia, the number of villages reaches 75,256 spread across 36 provinces. With such a large number of villages, it has the potential to be developed if managed properly and correctly. However, the economic system in rural areas still tends to the assistance provided to the government, so economic institutions in rural areas will likely be controlled by certain groups (Muda and Erlina, 2020).

The existence of villages is regulated in the law of the Republic of Indonesia Number 6 of 2014 concerning villages. With this law, the village government has its autonomy in terms of regulating and managing the

community to improve the welfare of residents. Therefore, community empowerment needs to be done so that the village can develop and accelerate the process of village progress (García-Cortijo et al., 2019). One of the things that can be done by the village government to improve the welfare of its community is to establish village-owned enterprises (Bumdes). Bumdes is managed by the village government with the hope of providing income for the village (Firmansyah, 2018)

The existence of Bumdes must be separate from conventional economic institutions in the hope that Bumdes can improve village welfare in a real way (Aritenang, 2021). Village businesses are established with the aim of the welfare of their residents with the potential and assets owned by the village (Cheah et al., 2019). This village company was formed with participation capital sourced from existing village funds (Aritenang, 2021; Zhu & Warner, 2019). With this capital participation, it is hoped that Bumdes can run a business to provide benefits which is to increase the original income of the village.

Currently, the number of Bumdes in Indonesia reaches 74,910 units, unfortunately, 20% of the total runs their business, and the remaining 80% are still running in place (Bumdes.id, 2019). These Bumdes have not been able to have a significant impact on the

overall welfare of the local community and most of these Bumdes are still stagnant (Basri et al., 2023). This can be seen from the inability of Bumdes to get maximum profits with large participation and omzet capital.

Bumdes, which is predicted to increase the village's original income, has not been encouraging, which is marked by the low profits generated by Bumdes (Hardiani et al., 2023). In addition, Bumdes still has several weaknesses such as low sources of community participation, managerial in terms of business management, dependence on government grants, and lack of mastery of technology. This research is important because the number of Bumdes is so large but has not been able to have a significant impact on the welfare of rural communities. the existence of Bumdes in Indonesia has not been able to increase village economic growth, this is due to low human resources and weak implementation of regulations (Alamanda et al., 2023; Aritenang, 2021). In particular, the purpose of this study is to examine the impact of Bumdes capital and omzet on the profit obtained by Bumdes partially and simultaneously.

2. Method

The object of this research is 5.647 Bumdes in districts/cities in Aceh. This research is quantitative using data sourced from the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration. The data used was sourced in 2018, with independent variables of capital participation and Bumdes omzet. While the dependent variable is the profit of Bumdes in each district/city in Aceh.

Analysis methods used statistical tests such as R-square t-test and F-test, but first, descriptive statistical analysis will be carried out to understand the characteristics of the data studied. The analysis tool used is multiple regression. The model of the relationship between variables can be described as follows:

$$\text{Prof} = \beta_0 + \beta_1 \text{Cap} + \beta_2 \text{Omz} + \varepsilon \quad (1)$$

Where Prof is denoted Bumdes profit, Cap is capital participation, Omz is Bumdes omzet, β_1 and β_2 are coefficients of each variable, β_0 intercept and ε are error terms. Bumdes is a legal entity owned by the village, turnover is the amount of income obtained by bumdes, capital is the funds owned by bumdes in running their business, profit is the profit obtained after income minus costs.

3. Result and Discussion

Before conducting further statistical analysis, the initial step is to use descriptive statistics to identify the characteristics of the data on the variables studied. Based on Table 1, it is illustrated that the highest capital is in the North Aceh district at Rp89.4 billion and the lowest is in Bener Meriah district at Rp515 million.

Furthermore, the highest variable omzet was obtained in the Southeast Aceh district of Rp41.76 billion, and Simeulue Regency had the lowest omzet of Bumdes of only Rp2 billion. the last is Bumdes' profit, the lowest is in Simeulue Regency at Rp3 billion and the highest is in South Aceh Regency at Rp4.6 billion.

TABLE 1
DESCRIPTION OF VARIABLE STATISTICS

Statistic Descriptif	Capital (Rp000)	Omzet (Rp000)	Profit (Rp000)
Mean	26.904.632	12.113.940	1.138.788
Median	20.955.026	9.794.287	823.667
Min.	515.000	2.000	3.000
Max.	89.389.914	41.764.562	4.644.726

Source: data that has been processed by the author (2023)

Based on the test results shown in Table 2 show that simultaneous capital participation and omzet affect Bumdes' profit. this is evident in the P-values of $0.0004 < 0.05$. Similarly, in partial testing, each

variable affects Bumdes' profit. As shown, the p-value of capital participation is $0.0178 < 0.05$ and $0.0586 < 0.05$ for Bumdes omzet. This means that capital participation and partial omzet have an impact on Bumdes' profits in Aceh.

TABLE 2
TEST RESULTS

Variabel	Koofisien	t-stat	Prob
Constanta	3,8117	0,7775	0,4459
Modal	0,0206	2,5805	0,0178
Omzet	0,0353	2,0052	0,0586
R ²	0,4205		
Adj R ²	0,3625		
Prob.(F-stat)	0,0004		

Source: data that has been processed by the author (2023)

Capital participation in Village-Owned Enterprises (BUMDES) is a capital contribution provided by the village government, village community, or other parties to support the establishment or development of the village-owned business. This capital participation aims to strengthen the financial structure of BUMDES, facilitate business development and growth, and improve the economic welfare of rural communities (Malia et al., 2022). Capital participation in BUMDES aims to strengthen operational sustainability and business growth, to provide greater economic benefits for rural communities. However, it is necessary to do good planning and management to ensure that the capital is used efficiently and sustainably. Shifting the focus of village fund participation from infrastructure development to community empowerment through the establishment of BUMDES can have a greater impact on improving village welfare and competitiveness (Hidayah, 2022).

Omzet in a business can vary depending on various factors, including the type of business run, scale of operation, geographical location, and market conditions (Hidayah, 2022; Vernanda et al., 2023). Some BUMDES may have a greater omzet than others, depending on their success in managing the business and tapping into the potential of the local economy. However, several factors can affect the omzet of BUMDES in general, such as business type, business scale, marketing strategy, market conditions, and partnerships and networks. By taking these factors into account and adopting appropriate strategies, BUMDES has the potential to increase its omzet and contribute more to economic and social development in villages. In addition, there are also influences in terms of managing BUMDES so that profits increase, namely the quality of employees and the character of a leader (Alkadafi, 2023).

For BUMDES omzet to increase, several strategies can be considered such as product diversification, promotional marketing, strategic innovation, and good financial management (Nugroho, 2018; Sanjaya et al., 2020; Sholicha & Octafia, 2021; Wahyuningtyas, 2021). So that BUMDES has the

opportunity to increase its omzet and have a greater impact on the economic welfare of rural communities. Capital participation and omzet have a significant impact on operating profits. Capital participation provides important financial resources for BUMDES to start or develop their business. With adequate capital, BUMDES can invest in assets, inventory, or infrastructure needed for business operations. This allows BUMDES to expand the range of products or services, increase production capacity, or improve operational efficiency. As a result, capital participation can increase the potential revenue and profit of BUMDES (Wahyuningtyas, 2021). The inclusion of capital used to improve operational efficiency, for example through investment in technology or employee training, can help BUMDES reduce production costs and increase profit margins. Thus, capital participation can have a positive impact on BUMDES' profits through increased efficiency.

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High omzet shows that BUMDES can sell its products or services well and attract customers. With increased omzet, BUMDES can increase revenue and possibly get greater profits (Abbas, 2015; Dana, 2021; Sucipto & Lailani, 2021). With omzet growth, BUMDES may be able to achieve greater economies of scale, where the cost per unit of production or service can be reduced. This can be a contributing factor to increased profits, as profit margins per unit can increase in the presence of economies of scale.

The success of BUMDES can be achieved in three ways, namely economic sustainability, social sustainability, and market sustainability (Dhewanto et al., 2020). So the existence of BUMDES is expected to increase the village's original income (Jaryono & Tohir, 2019). Community participation, accountability,

transparency, openness, and independence of Bumdes in village business management are highly expected (Arindhawati & Utami, 2020; Revida et al., 2023). Evaluation of the existence of Bumdes requires adequate metadata so that Bumdes and villages can innovate better (Kusumastuti et al., 2022). In addition to capital participation, Bumdes needs to strengthen the social capital owned by the village community. Social capital can affect the performance of Bumdes (Aritenang, 2021; Basri et al., 2021; Yasni et al., 2023).

4. Conclusions

Capital participation and omzet have an impact on Bumdes' profits in Aceh Province. However, there are still many factors that can increase Bumdes' profits, such as pricing strategy, product/service innovation, competition, and cost structure. Financially, Bumdes in Aceh is still encouraging compared to other regions. However, managerial problems are still an obstacle in the management of Bumdes in Aceh. To overcome the problem, Bumdes requires various supports in the form of training, managerial assistance, access to affordable financing, and a conducive regulatory environment for local economic growth. In addition, collaboration with various parties, including the government, financial institutions, and the private sector, can also help strengthen BUMDES and increase its positive impact on rural communities.

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