

# Village Owned Enterprises and Sustainable Economics in Cilacap County

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## ABSTRACT

According to *Undang-undang* Number 6/2014 Village Owned Enterprises (*Badan Usaha Milik Desa/ BUMDES*) is an economic powerhouse for the village government in attaining Village Origins Income (*Pendapatan Asli Desa*). This income should be sustainable economically in the long run. Therefore, it is important to examine the determinants of economic sustainability created by Village Owner Enterprises. Based on that, this study will test the effect of socio-cultural, economic characteristics, and social entrepreneurship on sustainable economics.

This is quantitative research using the survey method. Questionnaires are using the Likert Scale. Data are taken from 24 Village Owned Enterprises managers in Cilacap Region. The purposive sampling method is employed in order to choose the respondents. Data were then analysed using WarpPLS.

The result of statistical testing is as follows. First, economic characteristic has a positive effect on social entrepreneurship. Second, social entrepreneurship has a positive effect on sustainable economics. Third, from the first and second can be concluded that social entrepreneurship fully mediates the effect of economic characteristics on sustainable economics.

This is consistent with Resources-based Views. It means that the higher entity capital will lead to a higher induce of social entrepreneurship among village citizens. More social entrepreneurship among its resident will lead to higher economic sustainability in the village.

**Keywords:** Socio-Cultural, Economics Characteristics, Social Entrepreneurship, Sustainable Economics, *BUMDES*

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## 1. Introduction

According to *Undang-undang* of *Indonesian Republic* Number 6/2014 about Village, a village has an opportunity to earn and manage their own revenue from Village Original Income (*Pendapatan Asli Desa*). One of the Village Original Income is coming from Village Owned Enterprises (*Badan usaha Milik Desa/BUMDES*). *BUMDES* have to create business unit that could optimized their village citizen social entrepreneurship, thus economics sustainability for *BUMDES* and its village can be achieved.

Chasanah *et al.* (2017) shows that *BUMDES* in Indonesia still not a income resources for Village Government. Hence it still needs something to to developed *BUMDES* such as social entrepreneurship (Kariyani *et al.*, 2019; Utami & Nugroho, 2019; Setiawan *et al.*, 2020,2021; Rohim *et al.*, 2021).

Social entrepreneurship means social transformation by taking business advantage to develop community social welfare according to its social value (Setiawan *et al.*, 2020). This condition is based on *Resources Based View* atau RBV (Day dan Jean-Denise, 2016). Thus, Social entrepreneurship hopefully have effect in creating Economics Sustainability in the villages (Goyal & Sergi, 2015; Bilan *et al.*, 2017).

Economics Sustainability means *BUMDES* continuous job creations in their village (Dhewanto *et al.*, 2020). This condition based on Stakeholder Theory (Freeman, 1984).

This study is intended to test the effect of Sociocultural, Economics Characteristics, Social Entrepreneurship, to Economics Sustainability in *BUMDES* within Cilacap Region. This study is an extended replication of Mendez-Picasso *et al.* (2021), the differences are as follows. First, previous research is using Small and Medium Enterprises in 15 OECD countries, while this research is using *BUMDES* in Cilacap Region, Central Java, Indonesia. Second, Previous research is using secondary data, hence this study is using primary data.

## **2. Literature Review**

There are two main theories that important for this study. These theories are as follows. First, Stakeholder Theory. Stakeholder Theory is a concept introduced by Freeman (1984). According to Donaldson & Preston (1995) the stakeholder of a firm is consist of investors, suppliers, employees, customers, government, political group, trade association, and communities. For *BUMDES*, village citizens are *BUMDES*' investors, suppliers, employees, and customers, hence according to Anggraeni (2016) there are need additional effort on legitimate power to build *BUMDES* to be an economic powerhouse in the village.

Second, Resources Based View (RBV) by Day & Jean-Denise (2016). RBV is about unique ability and precious for entrepreneurship to find resources and managing these resources. Managing social organization just like *BUMDES* means finding the way to attain goal that will having social impact. If it is linked with social entrepreneurship that defines individual that will starting and leading organization by minimized the problems, RBV is a process how to collect capital and social entrepreneurship is how to maintain its economics sustainability.

Mendez-Picasso *et al.* (2021) making relational model of Sociocultural, Economics Characteristics, Social Entrepreneurship, to Economics Sustainability. Based on these theories and previous research the hypotheses in this research are as follows:

- H1: Sociocultural have effect on Social Entrepreneurship
- H2: Sociocultural have impact on Economics Sustainability
- H3: Economics Characteristics having influence on Social Entrepreneurship
- H4: Economics Characteristics affect Economics Sustainability
- H5: Social Entrepreneurship affect Economics Sustainability
- H6: Social Entrepreneurship mediated the relation between Sociocultural and Economics Sustainability

H7: Economics Characteristics have indirect effect Economics Sustainability through Social Entrepreneurship

### 3. Research Methodology

This is a quantitative study using survey. Primary data are gathered using questionnaires to respondents. Population is *BUMDES* in Cilacap Region using organization as unit analysis. Purposive sampling is employed in this research.

There are 2 exogen variables and 2 endogen variables in this study. Exogenous variables are Sociocultural and Economics Characteristics. Endogenous variables are Social Entrepreneurship and Economics Sustainability. Variables operational definition are described below in Table 1.

Table 1. Variables Operational Definitions

No.	Variables	Measurements	Answer Choices	Scale
1.	Sociocultural (X1)	Business types	Services	1
			Merchandise	2
			Manufacturer	3
2.	Economics Characteristics (X2)	Asset Size	≤ Rp 200 million	1
			Rp 200 million – Rp 500 million	2
			Rp 500 million – Rp 1 billion	3
			> Rp 1 billion	4
3.	Social Entrepreneurship (Y1)	6 items questions		5 Point Likert Scale
4.	Economics Sustainability (Y2)	6 items questions		5 Point Likert Scale

Sources: Data Analysis

### 4. Results

#### 4.1 Research Samples

Sample consist of 24 *BUMDES* coming from 7 District in Cilacap. The districts are Binangun, Adipala, Jeruklegi, Sampang, Maos, Kesugihan, and Kroya.

Table 2. *BUMDES* Origins

No.	District	Number of <i>BUMDES</i>
1.	Binangun	4
2.	Adipala	3
3.	Jeruklegi	4
4.	Sampang	4

5.	Maos	2
6.	Kesugihan	4
7.	Kroya	3
	<b>Totals</b>	<b>24</b>

Sources: Data Analysis

Respondent's demographic can be seen in Table 3. There are 18 male respondent and 6 female respondents. Mostly aged between 30-39 or more than 50 years old. Most respondent are Senior High School or University Graduated.

Table 3. Respondent's Demographic

Characteristics	Items	Number of People	Total
Gender	Male	18	
	Female	6	
	<b>Totals</b>		<b>24</b>
Age	≤30	4	
	31-39	10	
	40-49	3	
	≥50	7	
	<b>Totals</b>		<b>24</b>
Education	Junior High School	1	
	Senior High School	12	
	Diploma	2	
	University Graduated	9	
	<b>Totals</b>		<b>24</b>

Sources: Data Analysis

#### 4.2 Statistical Analysis and Hypotheses Testing

- Descriptive Statistics

There are 4 variables in this research. Variables X1 and X2 only have 1 indicator, while Variable Y1 and Y2 each having 6 indicators. The descriptive statistic results are as follows in Table 4.

Table 4. Descriptive Statistics Results

Variables	Indicators	N	Minimum	Maximum	Mean	Std. Deviation
X1	X1	24	1.00	3.00	1.6667	0.63702
X2	X2	24	1.00	2.00	1.2500	0.44233
Y1	Y11	24	2.00	5.00	3.6250	0.76967
	Y12	24	2.00	5.00	3.4583	0.83297
	Y13	24	2.00	5.00	3.5417	0.65801
	Y14	24	2.00	5.00	3.8750	0.61237
	Y15	24	2.00	5.00	3.9167	0.58359
	Y16	24	2.00	5.00	3.4167	0.71728
Y2	Y21	24	2.00	5.00	3.5417	0.77903
	Y22	24	3.00	5.00	3.5833	0.65386
	Y23	24	2.00	5.00	3.5000	0.83406
	Y24	24	2.00	5.00	3.5000	0.72232
	Y25	24	2.00	5.00	3.4167	0.71728
	Y26	24	2.00	5.00	3.3333	0.76139

Sources: Data Analysis

- **Validity and Reliability Test**

- **Validity Test**

Validity tests results can be seen in Table 5. All of indicator passed convergent validity with loading factor more than 0.75. All of variable measurements also having discriminant validity due to indicators' loadings more than its cross loadings.

Table 5. Validity Test Results

Indicator	Sociocultural (X1)	Economics Characteristics (X2)	Social Entrepreneurship (Y1)	Economics Sustainability (Y2)
X11	1 <sup>a,b</sup>	0.000	0.000	0.000
X21	0.000	1 <sup>a,b</sup>	0.000	0.000
Y11	0.000	0.022	0.890 <sup>a,b</sup>	-0.185
Y12	0.164	0.300	0.876 <sup>a,b</sup>	0.427
Y13	0.056	0.279	0.860 <sup>a,b</sup>	0.029
Y14	-0.129	-0.286	0.830 <sup>a,b</sup>	-0.321
Y15	-0.178	-0.337	0.874 <sup>a,b</sup>	-0.360
Y16	0.082	0.011	0.863 <sup>a,b</sup>	0.401
Y21	-0.071	-0.263	0.397	0.902 <sup>a,b</sup>
Y22	0.439	0.073	0.094	0.776 <sup>a,b</sup>
Y23	0.138	-0.073	0.206	0.935 <sup>a,b</sup>

Indicator	Sociocultural (X1)	Economics Characteristics (X2)	Social Entrepreneurship (Y1)	Economics Sustainability (Y2)
Y24	-0.210	0.140	-0.525	0.790 <sup>a,b</sup>
Y25	-0.210	-0.164	0.077	0.875 <sup>a,b</sup>
Y26	-0.074	0.443	-0.363	0.761 <sup>a,b</sup>
<sup>a</sup> Loading factor > 0.75				
<sup>b</sup> Indicator loading variable > cross loading				

Sources: Data Analysis

- **Reliability Test Results**

All variables in this research are Reliable. The variables are Cronbach Alpha as well as Composite Reliability are more than 0.60.

Tabel 6. Reliability Test Results

Variable	Cronbach Alpha	Composite Reliability
<b>Sociocultural (X1)</b>	1 <sup>a</sup>	1 <sup>b</sup>
<b>Economics Characteristics (X2)</b>	1 <sup>a</sup>	1 <sup>b</sup>
<b>Social Entrepreneurship (Y1)</b>	0.933 <sup>a</sup>	0.947 <sup>b</sup>
<b>Economics Sustainability (Y2)</b>	0.917 <sup>a</sup>	0.936 <sup>b</sup>
<sup>a</sup> Cronbach Alpha > 0.60		
<sup>b</sup> Composite Reliability > 0.60		

Sources: Data Analysis

- **Structural Model test**

Model Fit and Quality Indices Test Results in Table 7. It can be seen that Model Fit and all indices are accepted.

Table 7. Model *Fit* and Quality Indices Test Results

Indices	Value	P	Notes
APC	0.363	0.010*	Accepted if P < 0.05
ARS	0.476	0.001*	Accepted if P < 0.05
AARS	0.418	0.004*	Accepted if P < 0.05
AVIF	1.181*		Accepted if ≤ 5; ideally ≤ 3.3
AFVIF	1.899*		Accepted if ≤ 5, ideally ≤ 3.3

Indices	Value	P	Notes
GoF	0.641*		Accepted if: small $\geq 0.1$ ; medium $\geq 0.25$ ; large $\geq 0.36$
SPR	0.800*		Accepted if $\geq 0.7$ ; ideally = 1
RSCR	0.963*		Accepted if $\geq 0.9$ ; ideally = 1
SSR	0.800*		Accepted if $\geq 0.7$
NLBCR	1*		Accepted if $\geq 0.7$
*Accepted			

Sources: Data Analysis

The effects of X1 and X2 to Y1 is 0.241, while X1, X2, and Y1 effects on Y2 is 0.771 resulting on 0.826 Q2. It means that The model can explains and predicts 82,6% of variables Y2 or Economics Sustainability.

Table 8. R-squared and Q-squared

	R2	Q2
Y1	0.241	
Y2	0.771	
		0.826
Q2=1-(1-R12)(1-R22)		

Figure 1 shows the hypotheses testing results. Hypothesis 1 rejected with beta -0.20 and P value 0.14 ( $>0.05$  two-tailed) which means Sociocultural have no effect on Social Entrepreneurship. Hypothesis 2 rejected with P value 0.18 (more than 0.05 two tailed) and beta -0.17 can be explained that Sociocultural have no impact with Economics Sustainability.

Hypothesis 3 accepted using beta 0.38 and P value 0.02 less than cut-off value two-tailed 0.05 can be interpreted that Economics Characteristics has positive significant effects on Social Entrepreneurship. Hypothesis rejected 4 with beta -0.20 and P value 0.15 more than 0.05 cut-off for two tailed t-test stated that Economics Characteristics do not affect Economics Sustainability. Hypothesis 5 using beta 0.87 and P value less than 0.01 ( $< 0.05$  two-tailed) accepted Social Entrepreneurship positively affect Economics Sustainability. Since only Social Entrepreneurship that has effect on economics sustainability and the others relation are not significant, therefor Hypothesis 6 rejected, which can be explained that Social Entrepreneurship is not mediating variable for the relation between Sociocultural and Economics Sustainability. Since Economics Characteristics do not have direct effect on Economics Sustainability, therefor Social Entrepreneurship fully mediating the effect of Economics Characteristics to Economics Sustainability and Hypothesis 7 accepted.

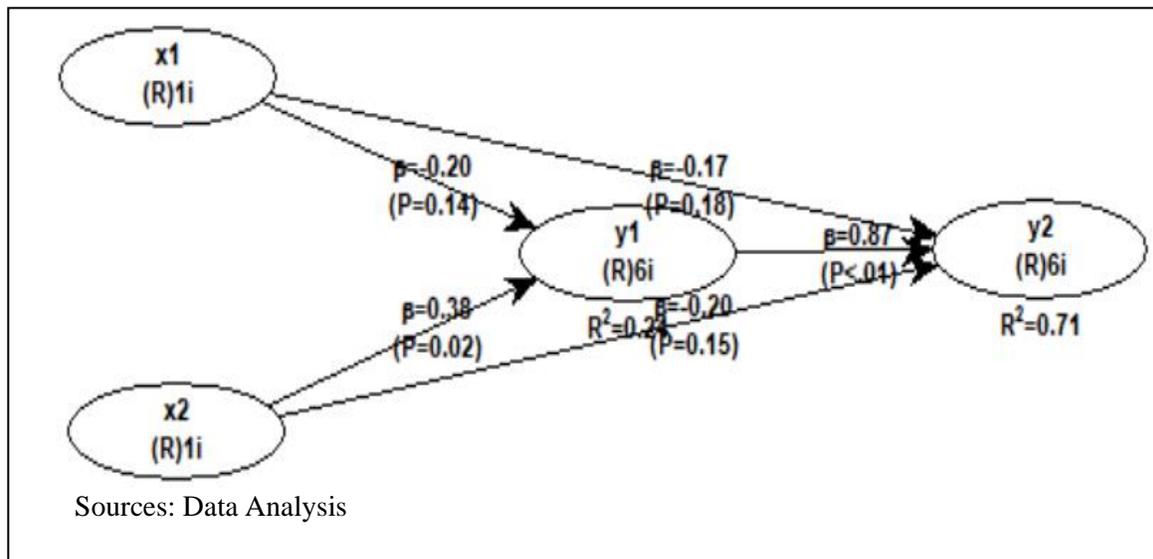


Figure 1. Hypothesis Testing Results

## 5. Discussion

The higher Economics Characteristics based on their assets, will lead to the higher Social Entrepreneurship. The higher Social Entrepreneurship will lead to higher Economics Sustainability through. This perspective is consistent with RBV. The bigger *BUMDES* assets resources can make these organization having more capabilities to developed Social Entrepreneurship in their society that will creates sustainability Economy.

This condition also consistent with Stakeholder Theory (Freeman, 1999). Instead of getting capital from villages government, village citizen also *BUMDES* investor. The bigger society trust, the higher *BUMDES* assets. The more people becoming involved as the investors, the easier for them to participate in the organization programs such as developed social entrepreneurship as the supplier and customer of the institution. Thus, it will create longer sustainability economics.

## 6. Conclusion

This research can be concluded as follows:

- Sociocultural have no influence on Social Entrepreneurship;
- Sociocultural have no relation with Economics Sustainability;
- The higher Economics Characteristics will lead to higher Social Entrepreneurship;
- Economics Characteristics do not affect Economics Sustainability;
- Social Entrepreneurship positively affect Economics Sustainability;
- Social Entrepreneurship do not mediate the relation between Sociocultural and Economics Sustainability;
- Economics Characteristics has effect on Economics Sustainability through Social Entrepreneurship. The type is fully mediating.

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