

JOURNAL OF ECONOMIC, BUSINESS AND ADMINISTRATION (JEBA)

Vol. 5 No. 3 (2024) | E-ISSN: 2746-1688 | ISSN: 2985-6744

THE COMPETITIVENESS OF VILLAGE-OWNED ENTERPRISES IN BUSINESS DEVELOPMENT IN SARI TANI VILLAGE, WONOSARI DISTRICT, BOALEMO REGENCY

Yeyen Abdul¹, Imam Mashudi², Fitriyanti Husain³

¹Manajemen, Faculty of Economic and Business, University of Bina Mandiri Gorontalo

²Educational Technology, Faculty of Education and Culture, University of Bina Mandiri Gorontalo

³Business Administration, Faculty of Economic and Business, University of Bina Mandiri Gorontalo

¹email: yeyenabdul95@gmail.com*

Abstract

The establishment of Village-Owned Enterprises (BUMDes) is a strategic move to strengthen the village economy and support national sovereignty. However, many BUMDes face significant challenges in achieving optimal competitiveness. This study aims to analyze the competitiveness of BUMDes Saritani Makmur in Sari Tani Village, Boalemo Regency, focusing on three dimensions: product uniqueness, product quality, and competitive pricing. Using a qualitative descriptive approach, data were gathered through in-depth interviews, observations, and documentation. The findings reveal that BUMDes Saritani Makmur currently operates in "survival mode" with low competitiveness due to generic product offerings, declining asset quality, and high operational costs caused by a lack of independent logistics. Internal hurdles, such as limited strategic vision and lack of operational capital, further hinder innovation. The study concludes that to escape stagnation, BUMDes must diversify into leading local commodities (agriculture/plantations), digitalize administration, and professionalize human resources to transition from a mere administrative relic to a thriving economic hub.

Keywords: *BUMDes; Business Development; Competitiveness; Product Uniqueness; Village Economy.*

Submit: 20/01/2022

Accepted: 28/08/2024

Publish: 30/09/2024

1. Introduction

Developing Indonesia from the periphery by strengthening regions and villages within the framework of the Unitary State is a central pillar of the President's "Nawacita" policy. This strategy is viewed as a vital step in transforming villages into the foundation of national sovereignty, enabling them to compete on a global scale. As a form of implementation, the government has placed significant focus on the village as the lowest administrative unit. This is evidenced by the establishment of the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration (*Kemendesa PDTT*), which specifically manages the acceleration of development at the rural level.

The Ministry serves as the implementing agency for Law No. 6 of 2014 concerning Villages, which is substantively expected to build rural areas through both structural and cultural approaches. This regulation provides a new spirit for villages to initiate their own independence through the "Villages Build" (*Desa Membangun*) movement. Under this framework, villages are positioned as the starting point for national development success by optimizing local wisdom and the spirit of mutual cooperation (*gotong royong*). This strengthens the position of the village economy as an entity with the competitive advantage necessary to improve community welfare.

The village economy possesses strong and deeply rooted social capital, characterized by diverse social ties and solidarity that support government activities in development. High levels of social capital are proven to have a significant positive impact on the economic performance of rural enterprises [1]. On a macro level, the Indonesian economy is governed by economic democracy based on the principles of togetherness, equitable

efficiency, sustainability, and independence. Within the reality of Law No. 6 of 2014, there are three main economic actors: State/Regional-Owned Enterprises, Cooperatives, and the Private Sector where villages now possess a new instrument: Village-Owned Enterprises (BUMDes).

The existence of BUMDes aims to improve the quality of human life and alleviate poverty by providing basic needs, developing local economic potential, and utilizing natural resources based on family-oriented principles. BUMDes are formed to empower all business, economic, and institutional potentials of the village. As economic institutions, BUMDes are required to evolve and possess competitiveness. To achieve this, the government must categorize BUMDes based on their development levels to facilitate strategic decision making, ensuring that BUMDes are not only profit oriented but also focused on public service and community welfare.

The greatest challenge in managing BUMDes is determining the right business units. The businesses chosen must be able to leverage village potential and meet community needs without stifling existing micro-enterprises. Business development is the responsibility of managers, requiring high creativity and motivation to transform small-scale operations into medium-scale enterprises. However, in practice, many BUMDes in Indonesia have not operated optimally because the selected business units have failed to significantly boost the village economy.

This phenomenon is clearly visible in Sari Tani Village, Wonosari District, Boalemo Regency. BUMDes Saritani Makmur has attempted to support the village economy through business units providing party equipment rentals (tents and chairs) and WiFi services. These businesses were selected as they were considered relevant to the basic needs of the local community. Although supported by capital participation from Village Funds in accordance with Law No. 6 of 2014, the management of this capital has not been maximized and has yet to provide widespread welfare for the community. Fundamental issues in budget management are evident in the following table:

Year	Capital Participation (IDR)	Net Income (IDR)
2018	142.000.000	20.000.000
2019	27.000.000	7.000.000
2020	79.000.000	18.000.000
2021	-	-
Total	248.000.000	45.000.000

Source: BUMDes Saritani Makmur (Processed Data)

The data above shows that in 2018, a capital investment of IDR 142,000,000 only generated a net income of IDR 20,000,000. Similar trends occurred in subsequent years, and in 2021, no capital participation or income was recorded. This indicates low productivity and poor business competitiveness. This low competitiveness is triggered by limited Human Resources (HR) who lack experience in business development. Sustainable human resource development is critical, as skill gaps and technological illiteracy often hinder the implementation of essential systems like offline accounting apps in rural enterprises [2]. Furthermore, geographical factors pose a serious hurdle; Sari Tani Village spans 25,000 hectares divided into 25 hamlets with a population of 26,000 people. The reach of business units is limited, exacerbated by damaged road infrastructure and a distance of 30 km to the district center. Rural investment climates in Indonesia are frequently hampered by such poor connectivity and isolation from economic hubs [3]. These geographical constraints, particularly in border or remote regions, require specific prospective strategies to achieve inclusive and sustainable economic growth [4]. The reach of business units is limited, exacerbated by damaged road infrastructure and a distance of 30 km to the district center.

Digital infrastructure constraints further worsen the situation. As of 2021, Sari Tani Village lacks stable 4G network coverage and relies on government-assisted networks that frequently malfunction. From an administrative perspective, BUMDes managers, who are mostly high school graduates, face difficulties in financial management. This is compounded by a lack of budget support in 2020-2021 due to the government's budget "refocusing" for COVID 19 management. The pandemic caused a drastic drop in turnover for the tent rental unit due to social distancing restrictions. Mapping of potential BUMDes is essential during such crises to identify which units can actually drive rural economic recovery [5]. Conversely, the WiFi business, which thrived in 2019-2020 with monthly profits reaching IDR 10,000,000, has recently declined due to the emergence of external competitors who are more technologically prepared.

Theoretically, management is a tool to achieve organizational goals through the planning, organizing, and monitoring of human resources [6]. In the context of BUMDes, business development must be carried out by providing facilities and guidance to improve competitive capabilities. As a business entity, BUMDes must also apply basic business management principles to maintain operational sustainability [7]. Based on process standards, competitiveness is defined as the ability to demonstrate better and faster results through market share

strengthening and sustainable performance. Competitiveness is also determined by institutions, policies, and productivity factors that systematically address external challenges [8].

In this study, the competitiveness of BUMDes Saritani Makmur will be measured through three main indicators:

- a. **Product Uniqueness:** The extent to which BUMDes creates added value that differentiates it from competitors.
- b. **Product Quality:** The resilience of products or services in meeting customer expectations through the selection of high-quality materials or systems.
- c. **Competitive Pricing:** The ability of BUMDes to adjust prices so they remain affordable for the community's purchasing power without compromising business sustainability. Through an in-depth analysis of these variables, it is hoped that strategic solutions for the development of BUMDes in Sari Tani Village will be identified.

2. Method and Analysis

This study employs a descriptive design with a qualitative approach. The primary focus is to explore the phenomena surrounding the competitiveness of Village-Owned Enterprises (BUMDes) through verbal data and field observations. Descriptive qualitative research is essential for identifying a new approach to stimulate rural entrepreneurship by uncovering specific institutional and social barriers within the village unit [9]. The research was conducted in Sari Tani Village, Wonosari District, Boalemo Regency, to obtain an in-depth overview of the business unit management within BUMDes Saritani Makmur.

Data sources in this study are classified into two categories:

- a. **Primary Data:** Obtained directly from key informants through in-depth interviews, including BUMDes managers, village government officials, and local community members as service users.
- b. **Secondary Data:** Sourced from official BUMDes documents, financial reports for the 2018–2021 period, relevant regulations, and supporting literature related to competitiveness.

Data collection techniques were carried out through triangulation to ensure data validity, consisting of:

- a. **Observation:** Direct observation of the facilities, infrastructure, and operational activities of the WiFi and tent rental business units.
- b. **In-depth Interviews:** Structured and semi-structured discussions with stakeholders to identify internal and external organizational challenges.
- c. **Documentation:** Collection of physical data such as financial records, village profiles, and activity photographs as empirical evidence from the field. Combining these techniques is crucial for assessing sustainable local economic development, especially in remote regions where infrastructure and geographical factors play a significant role [4].

The data analysis technique applied is the Miles and Huberman Model. According to Miles and Huberman [10], qualitative data analysis is an interactive process conducted continuously until data saturation is reached [8]. This systematic approach is vital because BUMDes competitiveness is often hindered by complex qualitative factors such as human resource limitations and a lack of managerial expertise [9]. The analysis stages include:

- a. **Data Reduction:** Summarizing and selecting core information from field findings.
- b. **Data Display:** Organizing the information into narrative forms or tables to make it easily understandable.
- c. **Conclusion Drawing/Verification:** Formulating research findings based on emerging patterns from the processed data to provide a final conclusion.

3. Result and Discussion

The research findings indicate that the competitive dynamics of BUMDes Saritani Makmur are significantly influenced by three primary dimensions: product uniqueness, service quality, and pricing strategy. These elements serve as the fundamental pillars in determining how well the enterprise can sustain its operations amidst the growing rural market competition. By evaluating these dimensions, the study seeks to map the current standing of the village-owned enterprise and identify the specific variables that contribute to its economic resilience or vulnerability.

Based on extensive field observations, the business units currently in operation primarily focus on two sectors: party equipment rental services, such as tents and chairs, and the provision of voucher-based internet access via WiFi. These units were initially established to meet the immediate socio-economic needs of the Sari Tani Village community, where access to event facilities and digital connectivity remains a priority. However, the operational success of these units is heavily dependent on how effectively they are managed under the local village administrative framework.

The party equipment rental unit represents a traditional service model that relies on physical asset management and logistical efficiency within the district. While it serves a consistent local demand, its

competitive edge is often challenged by the physical condition of the assets and the speed of service delivery. This unit reflects the enterprise's attempt to institutionalize community-based services into a formal business structure, although it still faces significant hurdles in scaling its operations.

On the other hand, the provision of voucher based WiFi services highlights an effort to modernize the village economy through digital infrastructure. In an era where connectivity is essential, this business unit aims to bridge the digital divide for residents of Sari Tani Village. Nevertheless, the sustainability of this digital service is frequently tested by technical constraints and the arrival of external telecommunication competitors who offer more advanced technological solutions.

The integration of field findings and theoretical analysis is presented in detail in the following sections of this paper. This comprehensive discussion will bridge the gap between empirical data gathered on-site and the relevant business development theories. By synthesizing these perspectives, the article provides a clearer picture of the strategic steps necessary to enhance the competitiveness of BUMDes Saritani Makmur in the long term.

a. Analysis of Product Uniqueness and Innovation

Product uniqueness should ideally serve as a strategic barrier to entry for private competitors in Sari Tani Village, creating a distinct market position that protects the enterprise from external disruption. In the era of the "New Economy," innovation is the key to transforming creative ideas into market opportunities [11]. In the context of rural development, a "Blue Ocean" strategy where the village enterprise creates an uncontested market space is essential for long-term survival. However, empirical findings reveal that BUMDes products are characterized by "low-differentiation," meaning the services offered are highly generic and can be easily replicated by external private parties with minimal effort. This lack of innovation is a common challenge, where many BUMDes lack innovative behavior and over-reliance on traditional models, making them vulnerable to competition [9]. To achieve a competitive advantage, BUMDes must prioritize product innovation and market orientation [12]. The "copy-paste" approach to business development prevents the enterprise from establishing a strong brand identity tied to the village's indigenous strengths.

The uniqueness expected to arise from the utilization of local potential has not yet materialized, as existing business units tend to follow general market trends without a specific village-innovative touch. Instead of exploiting the specific geographical or cultural advantages of Sari Tani Village, the BUMDes has merely adopted common business models that already exist elsewhere. This "copy-paste" approach to business development prevents the enterprise from establishing a local monopoly or even a strong brand identity, as there is no specific element that ties the service to the village's indigenous strengths.

In this context, BUMDes managers face significant innovation hurdles caused by two primary internal factors. First, there is a Limited Strategic Vision, where managers tend to be passive in identifying new niche markets or exploring unconventional revenue streams. Most decision-making is reactive rather than proactive, focusing on maintaining existing operations rather than exploring creative ways to add value to their services. This mindset often traps the enterprise in a state of stagnation, where growth is sacrificed for perceived stability.

Second, the Lack of Operational Capital acts as a major constraint on creative expansion. The unavailability of funds for simple market research or pilot projects makes it nearly impossible for the management to determine the evolving and unique needs of the community accurately. Without a dedicated budget for research and development (R&D), the enterprise cannot test new product variations or invest in unique branding, leaving them dependent on outdated service models that no longer resonate with modern consumer expectations.

This profound lack of uniqueness directly impacts customer loyalty and brand retention within the village. Middle-class residents in Sari Tani Village, who generally have higher expectations and greater purchasing power, tend to shift to external service providers when hosting large events or significant ceremonies. They often perceive BUMDes products as "too ordinary" and lacking the prominent aesthetic value required for prestigious social gatherings. Consequently, the enterprise loses its most lucrative customer segment to outside competitors.

This phenomenon aligns perfectly with standard competitiveness theory, which states that without clear uniqueness or differentiation, a business entity will inevitably be trapped in a detrimental price war. When products are viewed as identical commodities, price becomes the only deciding factor for the consumer. Since BUMDes Saritani Makmur lacks the economies of scale possessed by larger external competitors, it cannot win a long-term price war, eventually leading to the erosion of its profit margins and the potential failure of its business units.

b. Evaluation of Product Quality and Infrastructure Constraints

The quality dimension at BUMDes Saritani Makmur was measured through asset durability and digital service reliability. Regarding the WiFi business unit, service quality is tested by fluctuations in an area with suboptimal coverage. This connection instability leads to a decline in user trust. Such infrastructure

gaps, particularly in rural and border regions, restrict market access and operational efficiency, necessitating prospective strategies to support sustainable local economic growth [4]. Data shows that the physical quality of tents and chairs has experienced a drastic decline in quality due to age and lack of routine maintenance. This creates a negative perception among consumers, where the rented equipment is considered no longer suitable for formal events that prioritize visual quality.

Regarding the WiFi business unit, service quality heavily depends on network stability, which frequently experiences fluctuations. This issue is inseparable from the geographical location of Sari Tani Village, which sits in an area with suboptimal GSM/4G signal coverage. This connection instability leads to a decline in user trust, especially as external competitors enter the market with more modern and stable transmission technologies.

The following table presents a comparison between BUMDes Saritani Makmur's service quality and market requirement standards:

Table 2. Comparison between BUMDes Saritani Makmur's service quality and market requirement standards

Quality Indicator	BUMDes Saritani Condition	Market Requirement Standard
Physical Durability	Declining (Rusty/Faded)	Aesthetic & Sturdy
WiFi Speed	Fluctuating (Frequent RTO)	Stable & Fast
Customer Response	Slow (Transport Hurdles)	Fast & Responsive

The table above confirms that the gap between actual quality and market expectations is the primary cause of low market absorption for BUMDes services. **(19)** This poor quality is further exacerbated by the village's vast area of 25,000 hectares, where service to remote hamlets is often suboptimal due to damaged road infrastructure.

c. Pricing Strategy and Market Position

Regarding its economic positioning, BUMDes Saritani Makmur predominantly implements a "low cost provider" strategy, deliberately setting price points that are accessible to lower-income communities. This approach is rooted in the social mission of village owned enterprises to provide affordable public services; however, in a competitive business context, this strategy often faces a paradox. While intended to capture a broad market share, the thin profit margins generated by this low pricing model leave the enterprise with very little financial cushion to absorb unexpected operational fluctuations or to reinvest in business expansion.

This low-price strategy frequently backfires when internal operational inefficiencies cause costs to inflate, primarily due to the absence of independent logistics vehicles. In the rental business such as tents and party equipment logistics and mobilization represent a significant portion of the total cost structure. Because BUMDes Saritani Makmur does not own its own transport fleet, the management is forced to rent third-party vehicles for every transaction. This external dependency creates a "cost-plus" trap where the rental fees for transport either burden the final price paid by the community making it less competitive or significantly erode the net profit margins to a point where the business unit barely breaks even. Limited human resource development and managerial skills often hinder the successful implementation of effective operational systems in rural enterprises [2].

Furthermore, the market perception of this pricing model presents a psychological barrier for business growth. The low prices offered are often perceived as "cheap quality" or "substandard" by residents with higher purchasing power or those planning prestigious events. These consumers equate the low price tag with the declining physical condition of the assets, leading them to prefer external vendors who charge a premium but provide a sense of status and reliability. This finding strengthens the argument that in rural service businesses, price does not stand alone; it is an intrinsic signal of value that must be supported by comparable physical quality and professional service delivery. Without this alignment, BUMDes risks being trapped in a "low-value cycle" that alienates the most profitable segments of the village population and creates a negative institutional image.

d. Synthesis of Discussion and Comparison

Synthesizing these findings, it is evident that BUMDes Saritani Makmur remains stuck in a perpetual "survival mode," characterized by a heavy reliance on village fund injections (*Dana Desa*) rather than organic growth [1]. While many academic frameworks suggest that BUMDes should act as a catalyst for local economic transformation, BUMDes Saritani Makmur remains stuck in a perpetual "survival mode." This stagnation is characterized by a heavy reliance on village fund injections (*Dana Desa*) rather than organic revenue growth, and a noticeable lack of strategic partnerships with external stakeholders or private sectors that could provide the necessary capital or technical expertise.

The enterprise's vulnerability was further exposed by the COVID-19 pandemic and the subsequent budget refocusing in 2020–2021. These external shocks served as paralyzing variables; as government priorities shifted toward health emergencies, the capital participation for BUMDes was halted. This total dependence on government cycles rather than market resilience highlights a fundamental weakness in the enterprise's business model. Additionally, the weak administrative management which is currently dominated by high school graduates who have not received regular or advanced managerial training results in a governance structure that is reactive. Decision-making is rarely data-driven or based on market feasibility studies, leading to the continuation of underperforming business units without proper evaluation or pivot strategies.

The lack of sustained budget support from the village government for new capital participation further restricts BUMDes' room for maneuver, particularly in improving product quality and uniqueness. To break this cycle of stagnation, the study offers several urgent strategic recommendations. First, BUMDes Saritani Makmur must move beyond simple rental services and immediately diversify into the village's leading commodity sectors, such as the processing or marketing of agriculture and plantation products, which represent the true economic backbone of the region.

Furthermore, improving service quality through the digitalization of administration and the procurement of independent operational vehicles is no longer optional but an urgent necessity to restore competitiveness. Digitalization would allow for better financial tracking and market reach, while owning logistics assets would stabilize the cost structure. Ultimately, the future of the enterprise hinges on professionalization; without targeted capital intervention and a significant upgrade in human resource competence, BUMDes Saritani Makmur risks permanent stagnation. In an increasingly open and digitalized market, the failure to adapt will lead to the enterprise becoming an irrelevant relic of village administration rather than a thriving hub of local commerce.

4. Conclusion

The study concludes that the competitiveness of BUMDes Saritani Makmur is currently in a weak state, preventing it from serving as an effective "economic accelerator" for Sari Tani Village. The lack of product differentiation and innovation has left the enterprise vulnerable to external competitors who offer more modern and aesthetically superior services. From a quality perspective, the physical deterioration of rental assets and the instability of digital infrastructure (WiFi) have eroded customer trust, particularly among the middle-class segment. Furthermore, while the pricing strategy is socially inclusive (low-cost), it is financially unsustainable due to high logistical overheads and the absence of independent operational vehicles.

To overcome these challenges, BUMDes Saritani Makmur must pivot from a reactive to a proactive management model. Strategic recommendations include:

- a. Diversification: Shifting focus from basic rental services to high-value local commodities like agriculture and plantation processing.
- b. Infrastructural Investment: Procuring independent logistics vehicles to stabilize cost structures and improving digital reliability.
- c. Professionalization: Enhancing the competence of human resources through managerial training and adopting digital administration to ensure data-driven decision-making.

Without a significant capital intervention and a shift toward professional management, BUMDes Saritani Makmur risks permanent stagnation in an increasingly open and competitive market.

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