



Role of Socio Entrepreneur (BUMDESA) in Developing Micro Small and Medium Enterprise (MSMEs)

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This study aims to formulate a strategy for BUMDesa in driving the Micro, Small and Medium Enterprises (MSMEs) sector in the Bogor Regency region. The MSME sector is an economic milestone for the people of Bogor Regency. As one area adjacent to the national capital of the Republic of Indonesia, Bogor Regency has great potential in developing the economy, especially the MSMEs sector. However, the problem is, MSMEs in Bogor Regency are still hampered in terms of capital, technological innovation, workforce expertise and marketing systems. On the other hand, the existence of BUMDesa can be a solution to the problems faced by MSMEs. Thus, this study is an attempt to formulate a strategy for BUMDesa in driving the MSMEs. For this purpose, a questionnaire survey was carried out and data was collected from the owners of MSMEs. After that, the data were assessed with the help of Structural Equation Modeling (SEM) by using statistical software, namely; Partial Least Square (PLS). It is revealed that performance of MSMEs can be improved by promoting capital, technological innovation, workforce expertise and marketing systems. In addition, the BUMDesa program that supports MSMEs is expected to be able to increase the scale of the business of MSMEs entrepreneurs in Bogor Regency by promoting capital, technological innovation, workforce expertise and marketing systems. The implication of this research is the realization of the BUMDesa goal in driving the village economy.

Key words: *BUMDesa, micro enterprises, small and medium enterprises, economic development of village, MSMEs.*

Introduction

Business activities always have significant contribution in the economic development of communities (Ul-Hameed, Mohammad, & Shahar, 2018). Micro, Small and Medium Enterprises (MSMEs) sector plays an important role in social and economic well-being (David-Wayas, et al 2017; Musa & Hasan, 2018). MSMEs contribute to economic development by increasing the income of poor people and decreasing poverty level. Therefore, MSMEs have a central role in the lives of people, particularly the poor people living in villages. MSMEs is one of the poverty reduction tools used in most of developing countries, including Indonesia.

It cannot be denied that MSMEs have a strategic role in economic development in Indonesia. Not only have they played a role in labor absorption and poverty alleviation, MSMEs have also been proven to be able to survive and carry out their roles well in the midst of a multidimensional crisis. This is quite reasonable considering that the small and medium business sector has a higher prospect for development, besides that MSMEs also have different characteristics compared to large businesses. This difference lies not only in the scale of business, the number of workers, and production capacity, but also the level of business resilience, where MSMEs are believed to be more resilient and have more resilience in carrying out their business (Wijaya, 2008). Therefore, along with the community level, MSMEs also have a contribution to make at national level (Rana & Choudhary, 2019). In Bogor Regency, Indonesia, the MSMEs have become a milestone in the local community's economy. Despite the fact that most MSME businesses are still running in a perfunctory mode and are still at a household scale, it cannot be denied that this MSME sector has a very important role in the economy of the local community. Contribution of MSMEs to the GDRP of Bogor Regency is shown in Table 1 below.

Table 1: Contribution of MSMEs to the GDRP of Bogor Regency

No	Enterprises Scale	Amount (Rp)	Percentage (%)
1	Micro Enterprises	7,22 Trillion	7,48%
2	Small Enterprises	8,7 Trillion	9,05%
3	Medium Enterprises	10,17 Trillion	10,55%
4	Big Business	27,22 Trillion	27,07%

Source: Bogor Regency Small and Medium Enterprises Cooperative Office (2018)

Based on the data from the publication of the Bappedalitbang Bogor Regency 2018, there were 734,000 MSMEs in Bogor Regency. However, on the other hand, MSMEs were facing many problems, particularly the issues of credit, saving and training is common in MSMEs which effect negatively on the growth rate (Rathnayake, Fernando, & Fernando, 2019). Therefore, BUMDesa should insure various strategies to overcome these issues to get maximum output from MSMEs in Bogor Regency.

Among with the problems that occur in Bogor Regency are the limited capital expenditure that can be accessed by the local community, the low quality of labor, and the lack of technological knowledge of innovation and marketing. Other problems faced by MSMEs are linkages with unclear business prospects and planning, as well as the unstable vision and mission of MSMEs. The majority of MSMEs in Bogor Regency in general are still income gathering, namely to increase income. This characteristic can be seen from the behavior of MSMEs which are generally family-owned businesses, the use of technology is relatively simple, access to capital is limited, not bankable and there is no separation of business capital from personal capital. From these various problems, actually the village itself has a source of strength both morally and materially. Among these sources of strength, the existence of BUMDesa can actually be a solution to all the problems that occur in MSMEs in Bogor Regency. The information regarding the BUMDesa in Bogor Regency is presented in Table 2 below. There are total 416 villages in Bogor Regency were 282 BUMDesa are working in which 161 are active and 121 are non-active.

Table 2: Data on BUMDesa in Bogor Regency

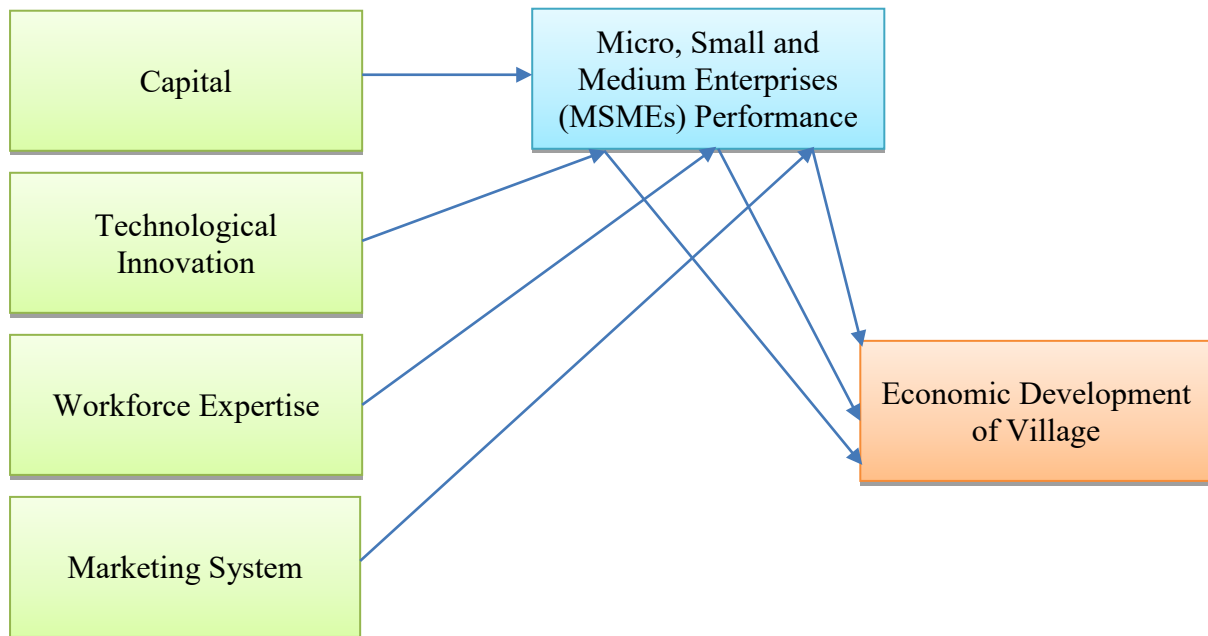
Year	Number of Village	Number of BUMDesa	Active	Non-Active
2016	416	201	98	103
2017	416	249	127	122
2018	416	282	161	121

Source: Bogor Regency Community and Village Empowerment Service Office (2018)

As stated in Law No. 32 of 2004 concerning regional governance article 213 paragraph 1, villages can form village-owned business entities in accordance with the needs and potential in the village. Therefore, by looking at the potential of MSMEs in Bogor Regency, it is effective if the presence of BUMDesa is more focused to develop the economic potential of the village, especially MSMEs. This is because the main potential in Bogor Regency is in the MSME sector. In order to achieve the goal of developing village economic potential, BUMDesa must also be developed first, both from the operational development and management of BUMDesa governance. Therefore, this study aims to find strategies and policy priorities in developing BUMDesa to drive MSMEs in Bogor Regency. Thus, the aim of this study is to formulate a strategy for BUMDesa in driving the MSMEs sector in the Bogor Regency region, Indonesia.

BUMDesa can expediate economic activity through MSMEs by providing various capital sources, technological innovation sources, various workforce expertise and marketing system sources. These sources will promote MSMEs and MSMEs will contribute to economic development of villages. Figure 1 below shows the relationship between capital, technological innovation, workforce expertise, marketing systems, MSMEs and economic development of village. As the capital, innovation, marketing and workforce capabilities has significant effect on business (Altaf, Hameed, Nadeem, & Arfan, 2019; Naidoo, 2010).

Figure 1. Theoretical model of the study showing the relationship between capital, technological innovation, workforce expertise, marketing systems, MSMEs and economic development of village



Various studies are available in the literature which examined the role of capital, technological innovation, workforce expertise and marketing systems in MSMEs, however, the literature did not consider the effect on the MSMEs sector in the Bogor Regency region, Indonesia. Particularly the role of BUMDesa is not discussed in a comprehensive research study. Thus, this study makes a significant contribution in literature.

Literature Review

Village-Owned Enterprises (BUMDesa) and Bogor Regency

According to Permendagri No. 39 of 2010 concerning BUMDesa, BUMDesa is a village money business formed by the village government whose ownership is carried out by the village government and the community. Whereas according to Law No. 32 of 2004 concerning Regional Government, desa can establish a business entity in accordance with the potential and needs of the village. This is also supported by Government Regulation No. 72 of 2005 concerning Villages, that in order to increase village and community income, the village government can establish BUMDesa according to the needs and potential of the village. According to Tama (2012), the management of BUMDesa is fully managed by the village community, thus, giving rise to the concept of the village, by the village, for the village. The workings of BUMDesa are to accommodate the economic activities of the community in a form of institution or business entity. In terms of planning and its formation, BUMDesa is built on community initiation, and is based on cooperative, participatory, and emancipatory principles. This is important because the professionalism of BUMDesa's



management is truly based on community agreement (member-base), as well as the ability of each member to be independent in meeting basic needs (self-help). Self-help groups develop social network which promote the business activity (W. Hameed, Mohammad, & Shahr, 2018). The main characteristic that distinguishes BUMDesa from commercial economic institutions is the BUMDesa business capital 51% is from the village, and 49% comes from the community. This business entity is owned by the village and managed jointly by the community, it is run based on the principle of family and rooted in the values that develop and live in the community (local wisdom). The business sector that is carried out is based on the development of potential BUMDesa in general and the results of market information that supports the economic life of the community. Empowered workers are potential workers in the village, while the benefits obtained are intended to improve the welfare of the village community.

The design of BUMDesa's strategic policy priorities in developing Bogor Regency MSMEs is based on existing MSME conditions. Based on the condition of MSMEs in Bogor Regency, the policy priorities are then divided into four aspects as previously explained, namely: (i) aspects of the business environment; (ii) accessibility aspects of raw materials, (iii) aspects of the production process; (iv) aspects of marketing accessibility. Since these four aspects, are still macro in nature, the researcher sorts these aspects back into five more detailed aspects, namely (i) aspects of the business environment (cultural, social, political and security); (ii) capital aspects; (iii) employment aspects; (iv) technological aspects of innovation; (v) marketing aspects.

Institutional Theory and Governance Principles of BUMDesa

A definition of the term institution can be seen from two classifications. When viewed from the process, institutions are an effort to design patterns of interaction between economic actors in order to be able to carry out transaction activities. Institutions themselves have the aim of creating economic and social economic efficiency between actors and economic power structures. BUMDesa as a new institution at the village level, of course requires a well-organized management of BUMDesa management and is able to compete and assist the community in improving their economy. Therefore, as to be a good institution, BUMDesa must have principles or rules that support the organization and there are fields of work covered which are described by the existence of an organizational structure. As for the principles in managing BUMDesa, among others are: (1) cooperative, the overall participation of components in managing BUMDesa and being able to work together with each other well; (2) participatory, all components involved in the management of BUMDesa are required to provide support and contributions voluntarily or without being asked to increase BUMDesa's business; (3) emancipatory, all components participating in the management of BUMDesa are treated equally without distinguishing groups. Tribe, and religion; (4) Transparent, all activities carried out in the management of BUMDesa and have an influence on the public interest, must be open and all levels of society know all of these activities; (5) accountable, all activities both technical and administrative must be accounted for; (6) sustainable, carrying out sustainable development.



Theory of MSME Development

Micro, Small, and Medium Enterprises (MSMEs) have a strategic role in the national economy. In addition to playing a role in economic growth and employment, MSMEs also play a role in the distribution of development outcomes. According to Rahman (2015), MSMEs have demonstrated their role in creating jobs and as a milestone in economic growth. The role of MSMEs in the social sector, namely; MSMEs, is primarily focused on the ability to reduce income inequality, especially in developing countries. Not only does they play a role in providing goods and services for low-purchasing consumers, MSMEs are also able to provide goods and services for high-purchasing consumers such as in urban areas. In addition, MSMEs are also believed to have a complex marketing chain, even capable of ignoring the sustainability of large and medium enterprises.

According to Abor (2016), on the development of appropriate MSMEs in order to become competitive economic actors, MSMEs are directed towards the resilience of economic actors in facing competitiveness and increased productivity supported by efforts to increase adaptation to market needs, utilization of innovation results and the application of technology. The development of MSMEs is essentially a shared responsibility between the government and the community. An investigation of the problems faced by MSMEs, reveals that efforts are needed such as: (a) the creation of a business climate; (b) capital assistance; (c) business protection; (d) partnership development; (e) training; (f) developing promotions; and (g) developing cooperation. Workforce expertise is measured based on the skills of MSMEs owners

Problems Facing by the MSMEs in Bogor Regency

Limited access to capital has hampered expansion efforts of MSMEs. Along with the limited access to the capital, there are also many other factors which effect on the performance of MSMEs in Bogor Regency. These problems are listed below;

- a. Accessibility: Access to Raw Material
 1. There is often an increase in raw material prices and a high dependence on the main types of raw materials (low substitution power).
 2. Does not have a strategy in obtaining raw material market information, where asymmetric information still occurs in finding the cheapest raw material prices.
 3. Sometimes there is a surge in product demand, but the supply of raw materials is often discontinued, so there is the potential to lose profit.
 4. The volume of purchases of raw materials that are too small and inconsistent, so they do not reach optimum economies of scale.
- b. Aspects of the Production Process
 1. The level of production efficiency is still low due to the low scale of the average production of MSMEs, especially the types of manufacturing industry sectors.
 2. Lack of knowledge about product differentiation.
 3. Management of low production management, especially in quantity management and quality control.



4. Low levels of efficient use of technology in the production process.
 5. The added value of production is not yet optimum.
- b. Marketing Aspect
1. Low marketing network, so that the distribution power of products tends to be slow and the majority of the distribution is only in the village and sub-district areas.
 2. Do not have a strategy in obtaining good marketing information.
 3. The trade system created is not efficient and tends to be asymmetrical.
 4. Relations with marketers are not well monitored.
 5. Limited information held on market opportunities outside the region, especially exports.

Hypotheses Development

This study focused on four major elements to expediate economic development of villages in Bogor Regency. These elements include; capital, technological innovations, workforce expertise, marketing systems and MSMEs performance. According to the current study, provision of capital, technological innovations, workforce expertise, and better marketing systems have the ability to increase the performance MSMEs which effect positively on economic development of villages. It is evident from the literature that capital, particularly financial capital is major element in the way of success for business (Neneh, 2018; Yusuff, Bakar, & Ahmad, 2018). Technology is also the key of success in any business. Therefore, technological innovations also have vital role in business success (De Guttry, Döring, & Ratter, 2017; Zuo, Fisher, & Yang, 2019). It leads towards the new ideas which effect positively on overall performance of business. Moreover, workforce expertise is also key to the success. It is based on the skills to run a business. Capabilities to run a business always effect positively on business performance (Aydiner, Tatoglu, Bayraktar, & Zaim, 2019). Finally, marketing is important to satisfy the customers and customer satisfaction is important for business success (Nadeem, Alvi, & Iqbal, 2018). Marketing activities have direct effect on the business performance (Yunus, Razak, Abidin, Rahman, & Ghouri, 2018). Therefore, all these factors (capital, technological innovations, workforce expertise, marketing systems, MSMEs performance) have a role to boost economic development of villages in Bogor Regency. In this regard, to overcome various problems of MSMEs, of course, it is not only borne by MSME actors, but must also get support from all stakeholders. Both support from business associations, universities, and agencies / related agencies in the local government environment. Further to that, government policies are needed to encourage the development of MSMEs. Thus, based on the above discussion and Figure 1, following hypotheses are proposed;

H1: Capital has a relationship with MSMEs performance.

H2: Technological innovations have a relationship with MSMEs performance.

H3: Workforce expertise has a relationship with MSMEs performance.

H4: Marketing system has a relationship with MSMEs performance.

H5: MSMEs performance has a relationship with economic development of village.

Methodology

The methodology used in this research is a quantitative research approach where data is obtained through the process of a questionnaire survey administered to MSME owners. The results of the answers from the questionnaire were entered into an excel spreadsheet and analysed by using Structural Equation Modeling (SEM) by using statistical software, namely; Partial Least Square (PLS). Additionally, further analysis to check the data missing value, normality and outlier are shown in Table 3 below. It is evident that, data has no missing value and no outlier. Therefore, it can be proceeded for further analysis.

In this study, a sample size of 300 was selected to collect the data from MSMEs. All the questionnaires were distributed with the help of area cluster sampling technique. Various clusters were formed, and questionnaires were distributed in each selected cluster. From total distributed questionnaires, 190 were returned and used for data analysis. Incomplete questionnaires were not included in the study.

All the measures for variables are adapted from previous studies. Research on the development of MSMEs was previously conducted by various studies like Hameed, Nisar, Abbas, Waqas, and Meo (2019). According to previous studies, the characteristics and dynamics of a good economy with high economic rates in East and Southeast Asian countries such as South Korea, Taiwan and Singapore are dependent on the performance of MSMEs. In these countries, MSMEs have performance that is very efficient, productive, and has high competitiveness. In addition, MSMEs are also very responsive to government policies in building the private sector and increasing the growth of export-oriented economies. Therefore, MSMEs performance is most important for village economic development, thus, performance is considered as the measure of MSMEs. Capital is measured based on the financial resource available for MSMEs start-up and expansion. Technological innovation is measured based on the new ideas for MSMEs or use of new technology. Marketing system is measured based on the advertisement of MSMEs products. Finally, economic development of village majorly measured based on the financial outcomes from economic activities.

Table 3: Missing Value, Outlier and Normality of the Data

	No.	Missing	Mean	Median	Min	Max	SD	Kurtosis	Skewness
CA1	1	0	3.261	3	1	5	1.19	-0.37	-0.627
CA2	2	0	3.537	4	1	5	1.005	-0.442	-0.572
CA3	3	0	3.769	4	1	5	0.791	1.203	-0.658
CA4	4	0	3.627	4	1	5	0.861	0.444	-0.755
CA5	5	0	3.828	4	1	5	1.033	0.53	-0.839
TI1	6	0	3.709	4	1	5	1.078	-0.145	-0.734
TI2	7	0	3.873	4	1	5	0.934	0.822	-0.911
TI3	8	0	3.903	4	1	5	1.043	1.233	-1.201
TI4	9	0	3.731	4	1	5	1.101	0.506	-1.011
TI5	10	0	3.843	4	1	5	1.043	1.431	-1.198
WE1	11	0	3.746	4	1	5	0.912	2.464	-1.445

WE2	12	0	3.627	4	1	5	0.936	0.695	-0.734
WE3	13	0	3.813	4	1	5	1.052	1.153	-1.096
WE4	14	0	3.903	4	1	5	0.905	1.46	-0.967
WE5	15	0	3.866	4	1	5	0.879	0.885	-0.865
MS1	16	0	3.806	4	1	5	0.958	-0.36	-0.373
MS2	17	0	3.604	4	1	5	1.133	0.536	-1.041
MS3	18	0	3.5	4	1	5	0.968	0.097	-0.749
MS4	19	0	3.724	4	1	5	0.85	2.027	-1.279
MS5	20	0	3.575	4	1	5	1.142	0.365	-1.022
MSMEP1	21	0	3.664	4	1	5	0.969	0.872	-0.971
MSMEP2	22	0	3.709	4	1	5	0.937	0.969	-0.871
MSMEP3	23	0	3.373	4	1	5	1.118	-0.187	-0.683
MSMEP4	24	0	3.53	4	1	5	1.091	0.245	-0.898
MSMEP5	25	0	3.836	4	1	5	0.775	2.178	-1.069
EDV1	26	0	3.776	4	1	5	0.903	0.39	-0.708
EDV2	27	0	4.187	4	2	5	0.735	1.526	-0.996
EDV3	28	0	3.985	4	2	5	0.763	-0.218	-0.383
EDV4	29	0	3.828	4	1	5	0.851	0.083	-0.47
EDV5	30	0	3.746	4	1	5	0.826	0.22	-0.459
EDV6	31	0	3.485	4	1	5	0.952	0.63	-0.586
EDV7	32	0	3.888	4	2	5	0.74	0.048	-0.376

Data Analysis

PLS-SEM is an important technique in primary data analysis. It is most popular while testing the hypotheses with primary data. As it is recommended by various prominent researchers (J. F. Hair, Ringle, & Sarstedt, 2013; Henseler, Ringle, & Sinkovics, 2009). Figure 2 below shows the first step of PLS-SEM in which reliability and validity is examined.

Figure 2. Confirmatory Factor analysis

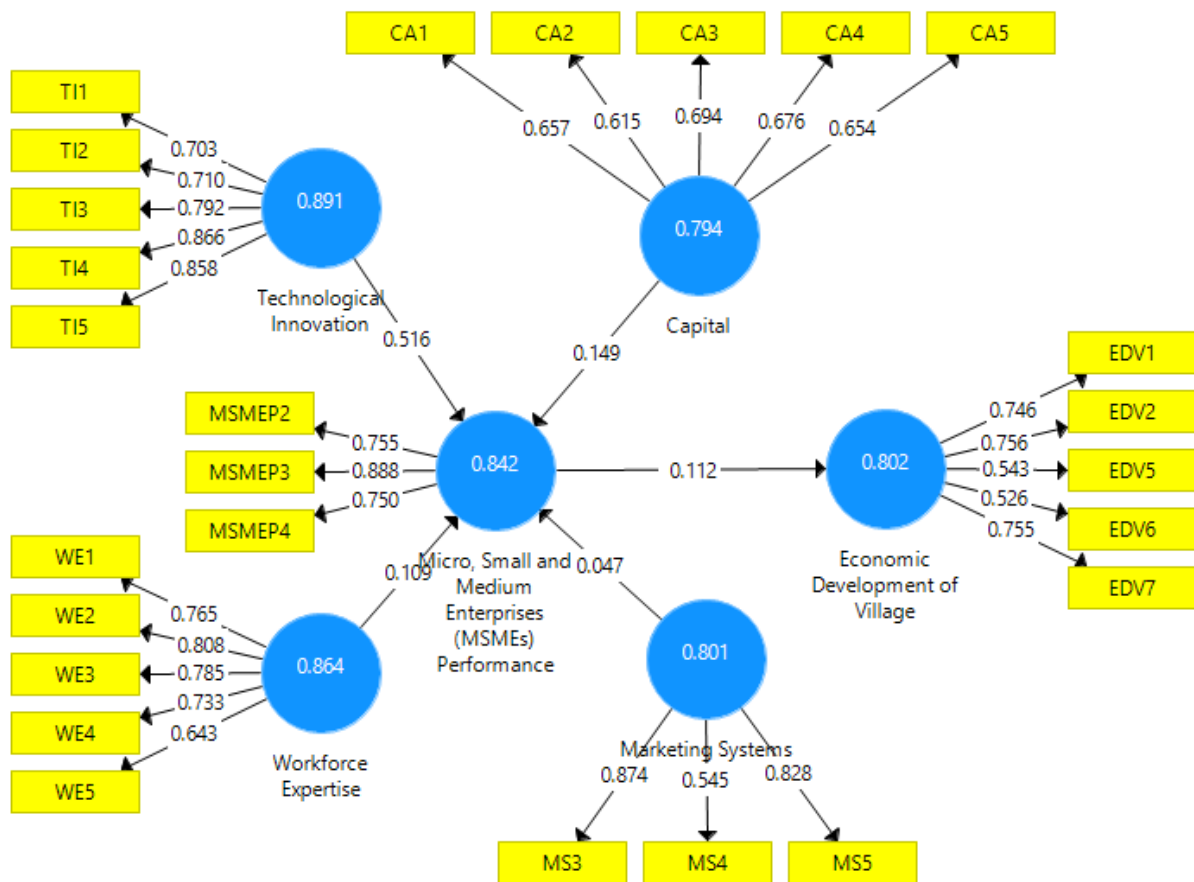


Table 4: Construct Reliability and Validity

	Alpha	rho_A	CR	(AVE)
Capital	0.785	0.781	0.794	0.535
Economic Development of Village	0.731	0.742	0.802	0.554
Marketing Systems	0.737	0.703	0.801	0.582
Micro, Small and Medium Enterprises (MSMEs) Performance	0.719	0.758	0.842	0.64
Technological Innovation	0.846	0.859	0.891	0.622
Workforce Expertise	0.802	0.811	0.864	0.561

Figure 2 shows that factor loading is above 0.5. Composite reliability (CR) is above 0.7 and average variance extracted (AVE) is also above 0.5 (J. Hair, Hollingsworth, Randolph, & Chong, 2017). These results are given in Table 4 above. Discriminant validity is also shown in Table 5 below through cross-loading.

Table 5: Cross-Loadings

	Capital	Economic Development of Village	Marketing Systems (MSMEs)	Technological Innovation	Workforce Expertise

CA1	0.657	-0.001	0.403	0.308	0.28	0.402
CA2	0.615	-0.083	0.361	0.303	0.269	0.381
CA3	0.694	-0.039	0.258	0.42	0.373	0.413
CA4	0.676	-0.183	0.608	0.44	0.614	0.655
CA5	0.654	-0.189	0.39	0.493	0.617	0.539
EDV1	-0.033	0.746	-0.145	-0.074	-0.093	-0.074
EDV2	-0.1	0.756	-0.196	-0.094	-0.17	-0.181
EDV5	-0.086	0.543	-0.057	-0.029	-0.075	-0.044
EDV6	0.017	0.526	-0.025	-0.016	-0.038	0.018
EDV7	-0.237	0.755	-0.256	-0.099	-0.165	-0.206
MS3	0.516	-0.193	0.874	0.449	0.529	0.551
MS4	0.349	-0.103	0.545	0.278	0.387	0.389
MS5	0.523	-0.246	0.828	0.536	0.631	0.645
MSMEP2	0.51	-0.022	0.457	0.755	0.546	0.547
MSMEP3	0.552	-0.11	0.525	0.888	0.731	0.659
MSMEP4	0.399	-0.142	0.375	0.75	0.462	0.384
TI1	0.547	-0.252	0.535	0.539	0.703	0.583
TI2	0.485	-0.149	0.456	0.47	0.71	0.491
TI3	0.494	-0.186	0.517	0.584	0.792	0.633
TI4	0.58	-0.147	0.623	0.655	0.866	0.743
TI5	0.612	-0.028	0.582	0.651	0.858	0.768
WE1	0.564	-0.137	0.613	0.456	0.647	0.765
WE2	0.603	-0.16	0.574	0.533	0.674	0.808
WE3	0.592	-0.153	0.59	0.582	0.697	0.785
WE4	0.505	-0.045	0.434	0.512	0.539	0.733
WE5	0.516	-0.246	0.439	0.439	0.52	0.643

Results of the study are given in Table 5 below which shows that capital has positive effect to boost MSMEs performance. As the t-value of relationship is 1.979, above 1.96. The relationship between technological innovation and MSMEs performance also found significant and positive with t-value 4.902. Moreover, workforce expertise also has positive effect on MSMEs performance with t-value 2.932. Finally, marketing system shows positive role to boost MSMEs performance with t-value 2.4. Additionally, MSMEs performance increase the economic development of village as it has positive relationship with economic development of village with t-value 2.772. These results supported H1, H2, H3, H4 and H5.

Figure 3. Structural Model

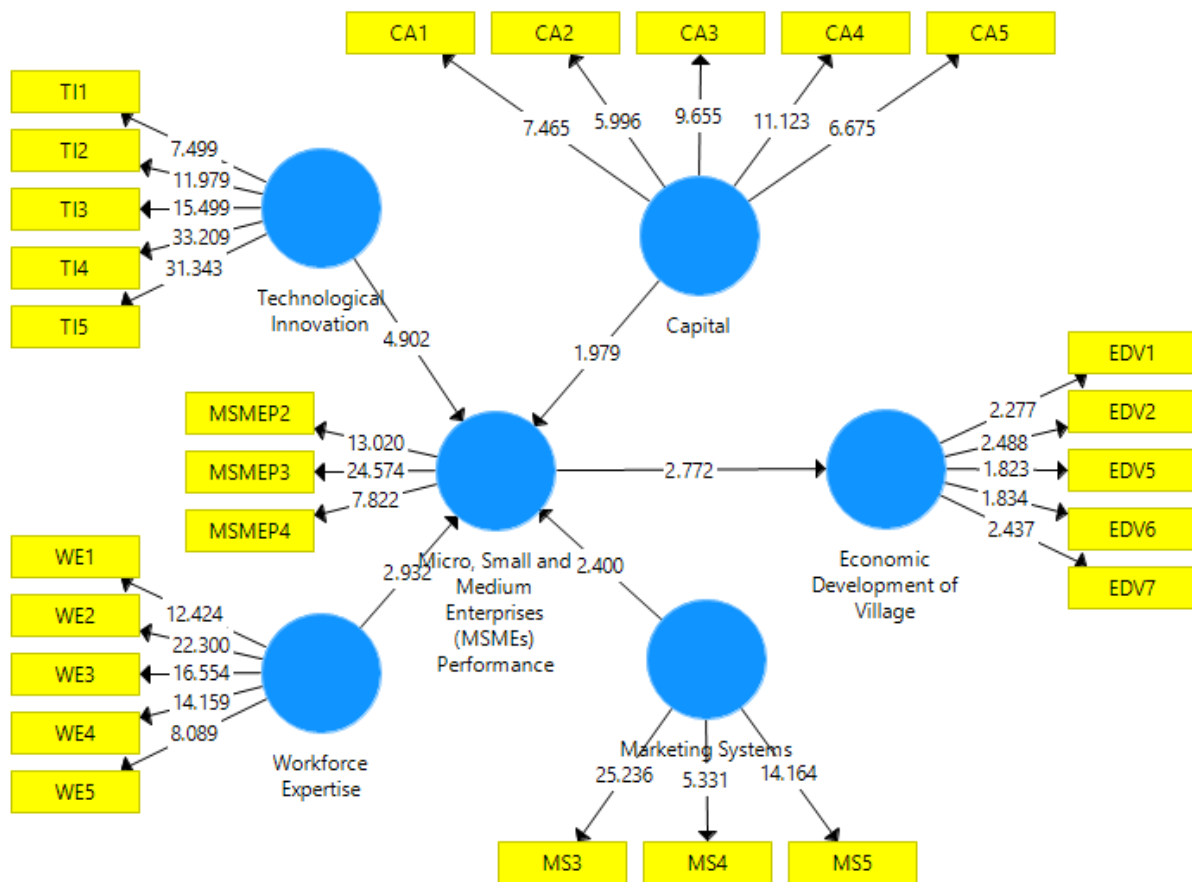


Table 5: Results

	(O)	(M)	SD	T Statistics	P Values
Capital -> Micro, Small and Medium Enterprises (MSMEs) Performance	0.149	0.146	0.075	1.979	0.049
Marketing Systems -> Micro, Small and Medium Enterprises (MSMEs) Performance	0.047	0.067	0.02	2.4	0.021
Micro, Small and Medium Enterprises (MSMEs) Performance -> Economic Development of Village	0.112	0.15	0.041	2.772	0.009
Technological Innovation -> Micro, Small and Medium Enterprises (MSMEs) Performance	0.516	0.506	0.105	4.902	0
Workforce Expertise -> Micro, Small and Medium Enterprises (MSMEs) Performance	0.109	0.106	0.038	2.932	0.006

Moreover, the r-square value in this study is 0.25 which is weak. All the variables including; capital, technological innovation, workforce expertise, marketing systems and MSMEs are expected to bring 25% change in economic development of villages. Furthermore, predictive relevance is above zero and shows the quality of the model.



Discussion

The role of BUMDesa in moving the village economy is very important. Therefore, it is not surprising if in this case the government requires each village to own BUMDesa. Existence of BUMDesa in villages is most crucial, it has an active role in realizing the initial goal of the establishment of BUMDesa. Therefore, the existence of research related to the development of BUMDesa should be extended. As the existence of BUMDesa Bogor Regency, the existence of BUMDesa has significant importance to support the community's economy. Because it is found that MSMEs performance lead to the increase in economic development of village and MSMEs are operating with the support of existence of BUMDesa.

However, it requires significant improvement. The village funds that have been available so far have not been managed to develop the economic potential of the local area. It is necessary that capital should increase to support MSMEs programs owned by the village people. It is evident from the findings of the study that capital has significant positive effect on MSMEs performance which lead to increase in the economic development of village people. Therefore, it is extensive need for existence of BUMDesa to increase the financial sources for MSMEs to develop and expand the businesses.

Since the purpose of village funds is to advance the rural economy, therefore the development of BUMDesa is very necessary. In order to be able to play an active role in advancing the village economy, BUMDesa must have a strategy to mobilize the Bogor Regency MSMEs. After investigating the condition of MSMEs in Bogor Regency, this study classified 3 aspects of problems that occurred in MSMEs and require financial support. The three aspects are: (i) input aspects; (ii) process aspects; (iii) output aspects. These aspects are a series that presents the condition of a business entity. The problems in these three aspects are also the basis for seeing the extent to which MSME actors in Bogor Regency can face existing business obstacles. The input aspect is related to the accessibility of raw materials, namely the extent to which MSME actors can access raw materials. Some components related to raw materials are access to basic ingredients of production and access to employment. While the process aspect is related to the production process or service process. If a business actor is more efficient and effective, it is likely that the production process will also be more optimal. Some components related to the process aspect are the availability of innovation technology as an important component in the output that is related to the product of goods or services produced and how the business actor concerned can market it. It is also proven by this study that technological innovation is necessary for MSMEs growth. It has significant positive relationship with MSMEs performance which leads to the increase in economic development of villages.

Moreover, marketing also has central role in MSMEs performance. It is found that marketing activities significantly improve MSMEs business. When the level of marketing accessibility is improves, then most likely the product or service produced can be easily absorbed by the market. The input, process and output aspects is based on sectoral theory, that every business player must face business barriers that involve the acquisition of raw materials, production processes or services, and marketing. When the level of problems in the three aspects is



greater and the business player concerned finds it difficult to minimize the existing problems, it is likely that the business will have difficulty competing in a market arena because of weak competitiveness. Likewise if a business player has good capacity in minimizing existing problems, it is likely that the business has good competitiveness and can compete in the market arena. In this aspect, it is necessary to have workforce expertise. It is evident from the results of this study that workforce expertise plays a positive role to increase the performance of MSMEs which lead to the village economic development.

Conclusion

Based on the results of policy priority analysis from all aspects, it was found that MSMEs were the main milestone of the economy of Saptosari Village. To develop the sector, there is a need for integration between local governments, capital providers, and the role of BUMDesa in supporting and helping meet the needs of MSMEs in running their businesses. It is hoped that this policy priority can become a basic reference for BUMDesa management in Bogor Regency to develop MSMEs. Overall the main policy priorities that must be taken by BUMDesa to develop MSMEs in Bogor Regency are; provide the sufficient amount of financial capital, provide the product technology training, provide marketing innovation training and provide various opportunities to develop the expertise of MSMEs owners.

Recommendations to BUMDesa for MSMEs in Bogor Regency

The priority of the MSME development strategy in Bogor Regency should be based on the below five aspects:

1. **Policy Priorities from the Business Environment Aspect**
The policy priority that must be taken in order to improve the business environment aspects according to MSME actors is the importance of the ease of licensing services for BUMDesa.
2. **Policy Priorities from the Capital Aspect**
The policy priority that must be taken in order to improve the aspects of capital accessibility according to MSME actors is the need for Bogor Regency Government policies in mediating between business actors and those providing capital.
3. **Priority of Policy from Employment Aspects**
The policy priority that must be taken in order to improve employment aspects according to MSME actors is the need for a minimum wage policy that equally benefits business actors and workers.
4. **Policy Priorities from Technology Aspects of Innovation**
The policy priorities must be carried out in order to improve technological aspects of innovation according to MSMEs, every business actor must have mastery of marketing technology.
5. **Policy priorities from Marketing Aspects**
The policy priority that must be taken in order to improve marketing aspects according to MSME actors is the importance of marketing innovation training in particular.



6. Based on the findings in each of the aspects above, policy priorities can be recapitulated in general for each aspect, starting from the aspects of the business environment, capital aspects, employment aspects, technological innovation aspects, and marketing aspects.

It cannot be denied that BUMDesa Strategy in Moving MSMEs in Bogor Regency has a very important role in driving the economy of the village community, such that the management of BUMDesa must be considered and cannot be underestimated. However, in reality there are still many BUMDesa which pay less attention to operational systems and business planning management. The existence of a good system of course will have a positive impact on the business entity, so as a first step in developing MSMEs, BUMDesa should classify existing MSMEs into several clusters. Any one cluster will be filled by MSMEs that have the same type of product. The purpose of this cluster formation is to facilitate MSMEs in reaching raw materials and reaching the target market. In the upstream process, namely in terms of obtaining raw materials, the existence of these clusters will provide a solution for MSME actors in facing the problem of the high cost of supporting raw materials.

With the presence of MSME clusters, businesses will jointly purchase large quantities of raw materials (joint purchase system). The joint responsibility system here is that members will associate capital collection to purchase raw materials. Members will pay for raw materials in accordance with the amount purchased, in other words, in the process of purchasing raw materials nothing has changed. It's just that in order to get a cheaper price, the members buy raw materials together in large quantities and consequently with the purchase of large quantities of raw materials, production costs will be reduced. In addition, the formation of this cluster also facilitates BUMDesa in providing assistance and evaluating the performance of MSMEs. Of course the formation of this cluster will also be very beneficial for MSMEs, this is because the existence of a cluster system will help MSMEs in achieving an effective and efficient production process, which will later have an impact on the fulfilment of economies of scale. Why is this economic scale important? This is because if the economies of scale are met, MSMEs will find it easier to expand their marketing network. After the MSME cluster was formed, BUMDesa then carried out skills training for MSME actors. Training for MSME actors is important to improve the skills, knowledge and creativity of HR. Training is not enough if it is only done once or twice, but it must be effective.

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