

## FACTORS AFFECTING THE PERFORMANCE OF SUSTAINABLE VILLAGE-OWNED ENTERPRISES (BUMDes) IN MALANG REGENCY

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### ABSTRACT:

Village-Owned Enterprises (BUMDes) are village business institutions managed by the community and the village government. The existence of BUMDes serves to strengthen the economy by managing the economic assets available in the village. BUMDes in East Java is the largest BUMDes nationally, but its development has not been optimal. Including BUMDes in Malang Regency. This issue renders efforts to improve the welfare of rural communities ineffective. The purpose of this research is to analyze the factors that influence the sustainable performance of village-owned enterprises (BUMDes) in Malang Regency, as well as to recommend strategies for the development of BUMDes in enhancing rural economy. Key informants in the research are the managers of the village-owned enterprises (BUMDes) and village government officials. The unit of analysis is the consumers or users of BUMDes services in Malang Regency, totaling 136 individuals. Data analysis using SEM analysis with the help of Warp-PLS software. The results show that all variables have an influence on the performance of the Sustainable Village-Owned Enterprises (BUMDes) (Y) with significant or strong significance values. However, employee job satisfaction (X1) does not directly affect the performance of the Sustainable BUMDes (Y). Livelihood assets (X3) influence the performance of the Sustainable BUMDes (Y) with weak significance values.

### INTRODUCTION

According to Government Regulation (PP) No. 11 of 2021, Village-Owned Enterprises (BUMDes) are business entities whose entire or most of the capital is owned by the village through direct participation derived from the separated village wealth to manage assets, services, and other businesses for the greatest welfare of the village community. The purpose of establishing BUMDes is to improve services to the community and empower the village as an autonomous area concerning productive enterprises, as well as to enhance the independence and capacity of the village in strengthening the economy.

In its management, there are problems that are often experienced by BUMDes. The management of village-owned enterprises (BUMDes) can be said to be difficult due to issues such as: organizational arrangements, limited human resources, not yet identifying the village's potential, and a lack of promotion. In the process of managing BUMDes, several challenges often arise that must be addressed by the managers or administrators of BUMDes. Organizational arrangements are essential for the smooth operation of a business. Good organizational management will drive progress and development in the enterprise. Many village-owned enterprises (BUMDes) ultimately fail to develop due to a lack of good organizational management within the BUMDes. Although the management of the village-owned enterprise (BUMDes) has been established, in practice, the BUMDes management has not been able to fulfill its responsibilities effectively. In assessing the performance of an organization, there are several methods employed by companies, namely looking at financial and non-financial performance. According to Wirajati (2021), performance is a comprehensive display of a company's condition over a certain period, representing the results or achievements influenced by the company's operational activities in using its available resources. Performance is a general term used to refer to some or all actions or activities of an organization over a certain period, with reference to various standards such as past or projected costs, based on efficiency, accountability, or management responsibility, and the like. Performance is the periodic assessment of the operational effectiveness of an organization, its departments, and its employees based on previously established goals, standards, and criteria.

Companies must always be motivated and encouraged to engage in continuous improvement, both in terms of performance benchmarks and the results of their own performance measurements, in order to achieve success. (Rini, 2010).

BUMDes often still struggles with promotion. This certainly requires the management of BUMDes to be truly capable of identifying opportunities and clever in finding ways to promote. It would be in vain if the potential of the village has been transformed into products but cannot be distributed properly just because of poor promotion. Therefore, to achieve sustainable performance of BUMDes in Malang Regency, it is necessary to identify the factors that influence BUMDes performance and how to develop sustainable BUMDes strategies in Malang Regency.

## **THEORY OF ORGANIZATIONAL PERFORMANCE**

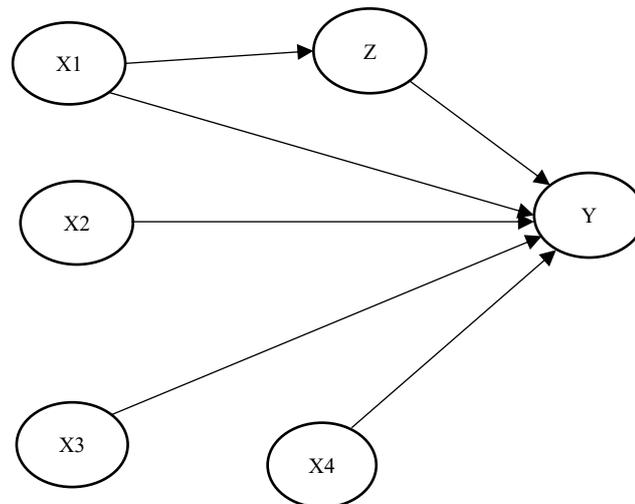
Performance is the result of carrying out specific tasks in the form of a level used as an assessment in order to achieve the company's goals. (Alimudin et al., 2019). In addition, the company's performance is the output produced by the company over a period in accordance with the established standards. According to Hessel Nogi (2007), organizational performance is a depiction of the level of achievement in carrying out tasks within an organization, in realizing the goals, objectives, mission, and vision of that organization. The achievement of good organizational performance depends on the Human Resources (HR) that occupy it in providing services to the community, and the leadership of the organization plays an important role in achieving good organizational performance. Performance is an achievement or result of work in activities or programs that have been planned in advance to achieve the established goals and objectives. According to Hessel (2007:178), the factors that influence organizational performance are motivation, organizational culture, compensation, leadership, job satisfaction, discipline, work environment, and organizational commitment. Meanwhile, according to Yuwono in Hessel (2007:180), the factors that influence organizational performance are organizational goals, organizational culture, leadership, and work quality.

Valencia (2016) states that an organization aiming to enhance performance and innovation must improve its organizational culture, as it can be a key factor or an obstacle to both. Innovation is considered one of the key factors influencing the long-term success of a company in today's competitive market. Currently, the focus is on these factors related to people and behavior, emphasizing the role of organizational culture, as this factor can stimulate or hinder innovation, and thus affect company performance.

## **RESEARCH METHODS**

The research was conducted from mid-March to May 2024 in 3 Village-Owned Enterprises (BUMDes) in Malang Regency. The location is determined purposively with several considerations. These considerations include that the Village-Owned Enterprises (BUMDes) in the Malang Regency are a model in East Java that operates in the fields of agriculture, finance, and tourism. Several selected BUMDes include BUMDes of Sanankerto Village in Turen District representing Tourism BUMDes, BUMDes of Sengguruh Village in Kepanjen District representing Financial BUMDes, and BUMDes of Pamotan Village in Dampit District representing Agricultural BUMDes.

The sample was selected using non-probability sampling techniques. The selected key informants are the managers of the village-owned enterprises (BUMDes) and village government officials. Meanwhile, the unit of analysis is the consumers or users of BUMDes services. A sample of 136 respondents was sought for the unit of analysis, determined through accidental sampling at 3 BUMDes in Malang Regency. The criteria for respondents are village residents in the BUMDes research location, specifically those who utilize BUMDes services and consumers who have visited the BUMDes location. This research uses four exogenous variables, one intervening variable, and one endogenous variable. The analysis tool used is SEM-PLS with the assistance of Warp PLS 8.0 software. Here is the model used in this research.



**Figure 2.**Research Model

Description:

X1 = Employee Job Satisfaction X2 = Customer Satisfaction Z = Organizational Culture X3 = Sustainable Livelihood Asset Y = Sustainable Performance of BUMDes  
X4 = Government Policy

## **RESULTS**

The Analysis of Structural Equation Modeling (SEM)

The analysis in this study uses SEM (Structural Equation Modeling) with the assistance of the WarpPLS 8.0 application. The modeling of this equation will involve three types of activities simultaneously, namely testing the validity and reliability of the instrument, and testing the relationships between variables. The results of the SEM-PLS analysis can be shown in the following table.

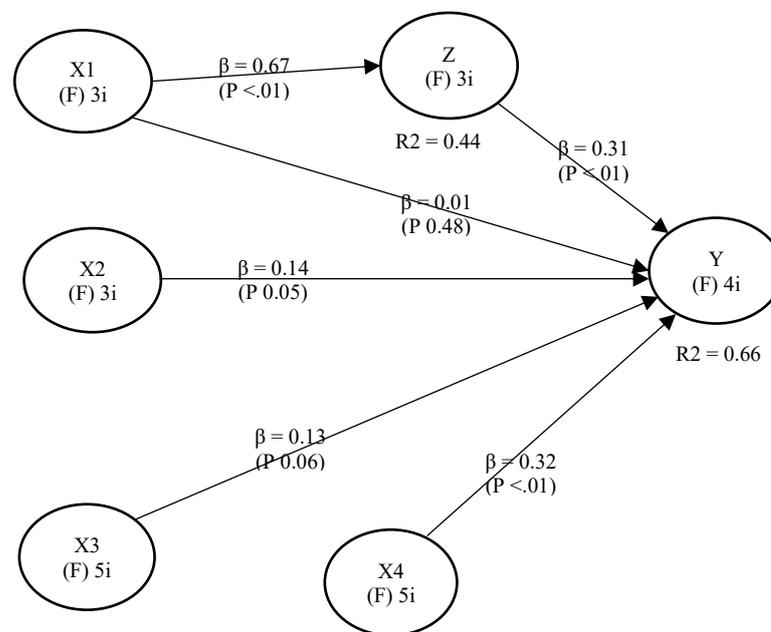
**Table 1. The Results of Factor Reliability Analysis**

Variable	Cronbach's $\alpha$	Combined Loading	p-value
<b>Employee Job Satisfaction(X1)</b>			
Motivation (X1.1)		(0.709)	<0.001
Commitment (X1.2)	0.57	(0.765)	<0.001
Leadership (X1.3)		(0.721)	<0.001
<b>Customer Satisfaction(X2)</b>			
Service (X2.1)		(0.820)	<0.001
Facilities (X2.2)	0.82	(0.863)	<0.001
Price (X2.3)		(0.879)	<0.001
<b>Sustainable Livelihood Assets (X3)</b>			
Human Capital (X3.1)		(0.641)	<0.001
Social Capital (X3.2)		(0.552)	<0.001
Nature Capital (X3.3)	0.69	(0.836)	<0.001
Financial Capital (X3.4)		(0.600)	<0.001
Physical Capital (X3.5)			

Variable	Cronbach's $\alpha$	Combined Loading	<i>p</i> -value
<b>Government Policy(X4)</b>			
Regulation (X4.1)		(0.655)	<0.001
Infrastructure (X4.2)		(0.776)	<0.001
Transportation (X4.3)	0.74	(0.689)	<0.001
Training (X4.4)		(0.625)	<0.001
Financial Support (X4.5)		(0.747)	
<b>Organizational Culture(Z)</b>			
Integrity (Z1)		(0.833)	<0.001
Creativity (Z2)	0.76	(0.810)	<0.001
Professionalism (Z3)		(0.825)	<0.001
<b>Sustainable Performance of BUMDes(Y)</b>			
Financial Perspective (Y1)		(0.696)	<0.001
Customer Perspective (Y2)		(0.845)	<0.001
Internal Business Perspective (Y3)	0.80	(0.818)	<0.001
Growth & Learning Perspective (Y4)		(0.797)	<0.001
Source:	Primary	Data	(2024)

Based on Table 1, it can be explained that the loading factor has a value of  $\geq 0.5$  for all values on each indicator. According to Solimun et al. (2017), a value of  $\geq 0.5$  on the loading factor can meet convergent validity. The data above also shows that the loading factor value is  $\geq 0.5$ , so it can be concluded that discriminant validity is met.

Path Coefficient Evaluation Estimates for path coefficients are path analysis that serves to determine the magnitude of the relationship/influence between X1, X2, X3, X4, Z, and Y. Figure 1 shows the SEM analysis model.



**Figure 1.**SEM Analysis Model

Based on the results of the path diagram above, the variable of employee job satisfaction (X1) has a positive indirect effect on the sustainable performance of BUMDes (Y) and has a significant value with a  $p$ -value  $\leq 0.01$ . However, it does not have a direct effect on the sustainable performance of BUMDes (Y). Customer satisfaction (X2) has a significant positive effect on the sustainable performance of BUMDes (Y). Sustainable livelihood assets (X3) have

a direct and positive effect on the sustainable performance of BUMDes (Y), with a weak significant value. The variable of government policy (X4) has a direct effect on the sustainable performance of BUMDes (Y) with a strong significance value, with a p-value  $\leq 0.01$ .

**R-Square Evaluation** The coefficient of determination (R-Squared) is a test used to measure the ability of a model to explain the extent of the influence of latent variables on latent variables. The higher the R-Squared value, the better the model indicated. Here is the table of the coefficient of determination values.

**Table 2. Coefficient of Determination (R-Squared)**

Variables	R-Squared
	>0.67 strong; >0.33 moderate; >0.19 weak.
Organizational Culture (Z)	0.44
Sustainable Performance of BUMDes (Y)	0.66

Source: Primary Data (2024)

Based on Table 2, regarding the coefficient of determination (R-Squared) values, it is known that the consumer attitude and consumer interest variables have R-Squared values of 0.44 and 0.66, respectively. These values fall into the moderate R-Squared category. The R-Squared value classified as strong is the sustainable BUMDes performance (Y) with an R-Squared value of 0.66.

**Model Fit Test and Quality Indices of SEM Goodness of Fit Model (GoF)** is a method for measuring and assessing the goodness of the proposed model's relationships along with its assumptions. Therefore, it can be said that Goodness of Fit Model (GoF) is a measurement to determine how well the model fits a set of observations. Here is the GoF table.

**Table 3. Evaluation of Goodness of Fit Model (GoF)**

Model Fit and Quality Indicators	Criteria	Mark	p-value	Information
Average path coefficient (APC)	$p < 0.05$	0.26	$p < 0.001$	Significant
Average R-squared (ARS)	$p < 0.05$	0.55	$p < 0.001$	Significant
Average adjusted R-squared (AARS)	$p < 0.05$	0.54	$p < 0.001$	Significant
Average block VIF (AVIF)	Significant $\leq 5$ , ideal $\leq 3.3$	2.97		Ideal
Average full collinearity VIF (AFVIF)	Significant $\leq 5$ , ideal $\leq 3.3$	2.79		Ideal
GoF Tenenhaus (GoF)	Small $\geq 0.1$ , Medium $\geq 0.25$ , Large $\geq 0.36$	0.57		High

**Table 3. (Continued)**

Model Fit and Quality Indicators	Criteria	Mark	p-value	Information
Sympson's paradox ratio (SPR)	Significant $\geq 0.7$ , ideal = 1	0.83		Significant
R-squared contribution ratio (RSCR)	Significant $\geq 0.9$ , ideal = 1	1		Significant
Statistical suppression ratio (SSR)	Significant $\geq 0.7$	1		Significant
Nonlinear bivariate causality	Significant $\geq 0.7$	1		Significant

Source: Primary Data (2024)

Based on the Goodness of Fit Model (GoF) evaluation table, it can be seen that all criteria can be met.

Hypothesis Testing Hypothesis testing is conducted to determine the effect of each variable, both directly and indirectly. Below are the results of the direct hypothesis testing.

**Table 4. Results of Direct Hypothesis Testing**

<i>Path Correlation</i>	<i>Path Coefficient</i>	<i>p-value</i>	<i>Information</i>
Direct Influence			
H1 Employee Job Satisfaction (X1) -> Sustainable Performance of BUMDes (Y)	0.01	0.48	Rejected
H2 Customer Satisfaction (X2) -> Sustainable Performance of BUMDes (Y)	0.14	0.05	Accepted
H3 Sustainable Livelihood Asset(X3) -> Sustainable Performance of BUMDes (Y)	0.13	0.06	Accepted
H4 Government Policy (X4) -> Sustainable Performance of BUMDes (Y)	0.32	<0.01	Accepted

Source: Primary Data (2024)

Based on the results of the direct hypothesis testing, it is found that all hypotheses are accepted except for H1. The significance values of hypotheses H2 and H4 fall within the significant and strong significance range with p-values of 0.05 and < 0.01. Meanwhile, H3 falls into the category of weak significant influence. The following table shows the results of the hypothesis test for indirect effects.

## **DISCUSSION**

### ***The Influence of Employee Job Satisfaction, Customer Satisfaction, Sustainable Livelihood Assets, and Government Policies on the Performance of Sustainable Village-Owned Enterprises (BUMDes)***

The research findings indicate that employee job satisfaction does not have an impact on the performance of sustainable BUMDes. This result is not in line with the research by Permana et al. (2021), which shows a significant positive direct effect of employee job satisfaction on performance. Job satisfaction will affect an organization or its members. An employee who feels satisfied with their work will certainly exhibit positive and maximal attitudes and behaviors in carrying out their tasks. This can support the improvement of BUMDes performance more effectively. Conversely, if an employee feels dissatisfied with their work, they will display less than optimal attitudes and behaviors in their job.

Customer satisfaction has a significant impact on the sustainable performance of village-owned enterprises (BUMDes) with a significance value of 0.05 and an effect size of 0.14. This result is in line with research that shows a significant positive influence between customer satisfaction and the performance of sustainable village-owned enterprises (BUMDes). When customers feel satisfied with the service provided, it will have a positive impact by generating positive recommendations to other customers. (Schofield et al., 2020) This will impact the sustainability of a business. Kim and Park (2020) also showed that customer dissatisfaction with the performance or service provided can easily lead to sharing negative experiences through social media, which can certainly harm the company or business unit. (Amam and Harsita, 2019) Customer satisfaction certainly influences the desire of customers to reuse the services or offerings provided. (Amam et al., 2016; Harsita and Amam, 2019; Sari et al., 2020)

Customer satisfaction with the sustainable performance of BUMDes in Malang Regency is dominated by the price indicator. It shows that price indicators are the biggest determinants of customer satisfaction. If the offered price meets the consumers' expectations, then the consumers will feel satisfied. Consumers tend to look for affordable prices with excellent service. Therefore, this indicator is highly considered by consumers.

Sustainable Livelihood Asset has a significant positive effect on the performance of sustainable BUMDes, with a significance value of 0.06 and an influence size of 0.13. Therefore, if there is an increase of one unit in the value of Sustainable Livelihood Asset, it will increase the performance value of BUMDes by 0.13. The strongest measuring indicator of the Sustainable Livelihood Asset variable is the natural capital indicator. This condition is different from the research by Illu (2018) and Sriwidayati et al. (2020), which shows that the strongest indicator of livelihood assets is social capital. Government policy has a significantly positive impact on the performance of sustainable village-owned enterprises (BUMDes) with a significance value of  $<0.01$  and an effect size of 0.32. This means that for every one-unit increase in government policy, it will influence the performance of sustainable BUMDes by 0.32. A positive relationship with the government, both at the central and regional levels, is essential for the sustainability of BUMDes performance. As Indrawati et al. (2020) explains, the encouragement or role of both the central and regional governments can shape and revive the performance of BUMDes. Based on the research findings, it is also known that the strongest measurement indicator of the government policy variable is infrastructure. Adequate infrastructure will facilitate the performance and sustainability of village-owned enterprises (BUMDes).

### ***The Influence of Employee Job Satisfaction on Sustainable BUMDes Performance through Organizational Culture***

Employee Job Satisfaction has a significant positive and indirect effect on Sustainable BUMDes Performance through Organizational Culture. Organizational culture successfully mediates the relationship between employee job satisfaction and the sustainable performance of village-owned enterprises (BUMDes). The total value of the influence of job satisfaction on the performance of BUMDes is 0.21. This result is consistent with the research by Paparang et al. (2021), which indicates a significant positive influence of job satisfaction on performance. It can be interpreted that the more employees feel comfortable and satisfied at work, the greater their work loyalty will be. Thus, the village-owned enterprises (BUMDes) will be able to improve their performance in a sustainable manner.

The variable of employee job satisfaction has three measuring indicators. These indicators include motivation, commitment, and leadership. The strongest measure of employee job satisfaction in the BUMDes of Malang Regency is the commitment indicator. Thus, employees feel satisfied when there is a commitment from the leadership of BUMDes or the BUMDes organization where they work, which can enhance the integrity and professionalism of BUMDes employees.

### **CONCLUSION**

Based on the research findings, it can be concluded that, in general, employee satisfaction, customer satisfaction, sustainable livelihood assets, and government policies can influence the performance of village-owned enterprises (BUMDes) sustainably. The variable with the highest total impact value is government policy (X4). Supportive government policies have a significant influence on the sustainability of village-owned enterprises (BUMDes). Employee job satisfaction (X1) does not directly affect the sustainable performance of BUMDes, but it can indirectly influence the sustainable performance of BUMDes through organizational culture (Z) as a mediating variable.

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