

Examining the Factors Affecting the Success of the Establishment of Village-Owned Enterprises

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Authors' contributions

This work was carried out in collaboration among all authors. Author Solimun contribution is in the methodology design, statistical analysis and the process of making discussion of study. Besides, the authors IY, AK and AWW contribution is searching for the literature, process of making discussion of study with the author Solimun write the manuscript and finalization. All authors read and approved the final manuscript.

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Abstract

Aims: This study aims to analyze the influence of Village Government Policies, Village Financial Institutions, Resources, and Community Factors on the Success of the Establishment of Village-Owned Enterprises (VOE) with Village Government Support as moderating variables.

Study Design: SEM WarpPLS.

Place: Sumberputih Village, East Java, Indonesia.

Methodology: This research is quantitative research. The research instrument used a questionnaire. The research was conducted in Sumberputih Village, East Java, Indonesia. The sampling process used a simple random sampling technique and obtained 100 respondents. Data analysis using SEM WarpPLS.

Results: The results showed that the Village Government Policy, Village Financial Institutions, Resources, and Community Factors had a significant effect on the success of the establishment of VOE (Y). Meanwhile, Village Government Support cannot moderate the influence of the four variables on the success of VOE establishment.

Keywords: VOE; Establishment; SEM WarpPLS; Sumberputih Village.

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1 Introduction

Various development programs have been implemented by the Indonesian government to increase the economic base in rural areas, but these efforts have not produced the satisfactory results as desired. Economic institutional systems and mechanisms in rural areas do not work effectively and have implications for dependence on government assistance so that there is no independence. From the perspective of rural communities among ordinary people, those rural communities are backward people. The main obstacle in rural development is the perspective of rural communities. This has implications for economic life in the village [1].

The strategic program that is being promoted by the Government to improve the welfare of the community and villages can be implemented by establishing Village Owned Enterprises (VOE) [2]. The establishment of VOE is determined by a Village Regulation approved by the BPD with reference to the laws and regulations. The form of a Village-Owned Enterprise must be a legal entity.

VOE is a legal entity established and owned by the village government in an effort to strengthen the village economy and is formed based on the needs and potential of the village [3]. Village Law Number 6 of 2014 states, "Every village is required to form a VOE, as an effort to empower the community while increasing Village Original Income" [4].

VOE plays an important role in economic growth in the village, this is because VOE can develop business units in utilizing the economic potential of the village [5]. As a village business, the establishment of VOE is really to maximize the potential of the village community, be it economic potential, natural resources, or human resources [6]. Specifically, the establishment of VOE is to absorb village workers to increase creativity and productive economic business opportunities for those with low incomes [7]. The target of economic empowerment of rural communities through VOE is to serve rural communities in developing productive businesses [8].

The establishment of VOE should be adjusted to the needs and potential of a village [9]. The establishment of VOE should begin by analyzing the potential of the existing village to be grown and developed into the attraction of the village itself. This research is carried out in Sumberputih Village, which is in Wajak District.

Sumberputih Village is one of the villages in Wajak District, Malang Regency. Most of the residents of Sumberputih Village have a livelihood as farmers, considering the availability of fertile vacant land because it is located around Mount Semeru. The potential possessed by Sumberputih Village in the agricultural sector must be utilized optimally for a more developed community. In practice, the management of VOE funds for the agricultural sector can be used for agricultural equipment rental services, such as molen, lawnmowers, and terop [10]. Thus, it is able to provide income and make it easier for farmers in Sumberputih Village to do their work. With the potential of villages in agriculture that is utilized properly, there will be an increase in the empowerment of farmers in Sumberputih Village.

Based on the description above, this research is carried out with the aim of achieving 2 (two) main targets. First, the community knows the importance of VOE, also the factors that influence the success of the VOE establishment. Second, this study was to examine the effect of village government policy, village financial institutions, resources, and community factors on the success of VOE establishment with village government support as a moderating variable. Thus, in the process of obtaining the factors that must be considered by village officials in an effort to assist the establishment of VOE in Sumberputih Village [11].

2 Methods

The research will examine the factors that influence the success of the establishment of VOE. According to Ihsan & Setiyono [7], there are several factors that influence the establishment of VOE, namely: First, the factor that influences the establishment of VOE is Government Policy. The Village Government's policy regarding VOE is one of them by issuing a Village Regulation regarding VOE, where this Village Regulation has supported all activities carried out by VOE in Wajak District. Second, VOE in its operation should ideally also be supported by village financial institutions as units that carry out financial transactions in the form of credit

and savings. Third, the factors that influence the establishment of VOE are Resources. In the implementation of a program, good quality human resources are needed. Other than that, it is undeniable that other resources are needed in the implementation of a program. These include financial resources, natural resources, and other potentials that can support the success of a program. Fourth, the factors that influence the success of the establishment of VOE are Community Factors. The implications of assisting the establishment of VOE are related to community development and empowerment, especially in developing business capabilities, increasing knowledge, skills, and attitudes that will have an impact on the success of the establishment [6]. Fifth, this factor aims to strengthen or weaken the relationship between variables. According to Ihsan & Setiyono [7], one of the factors that influence the establishment of VOE is government support. In the implementation of the establishment of VOE.

Based on the explanation above, it can be concluded that the conceptual framework will be studied in this research. The conceptual framework is presented in Fig. 1.

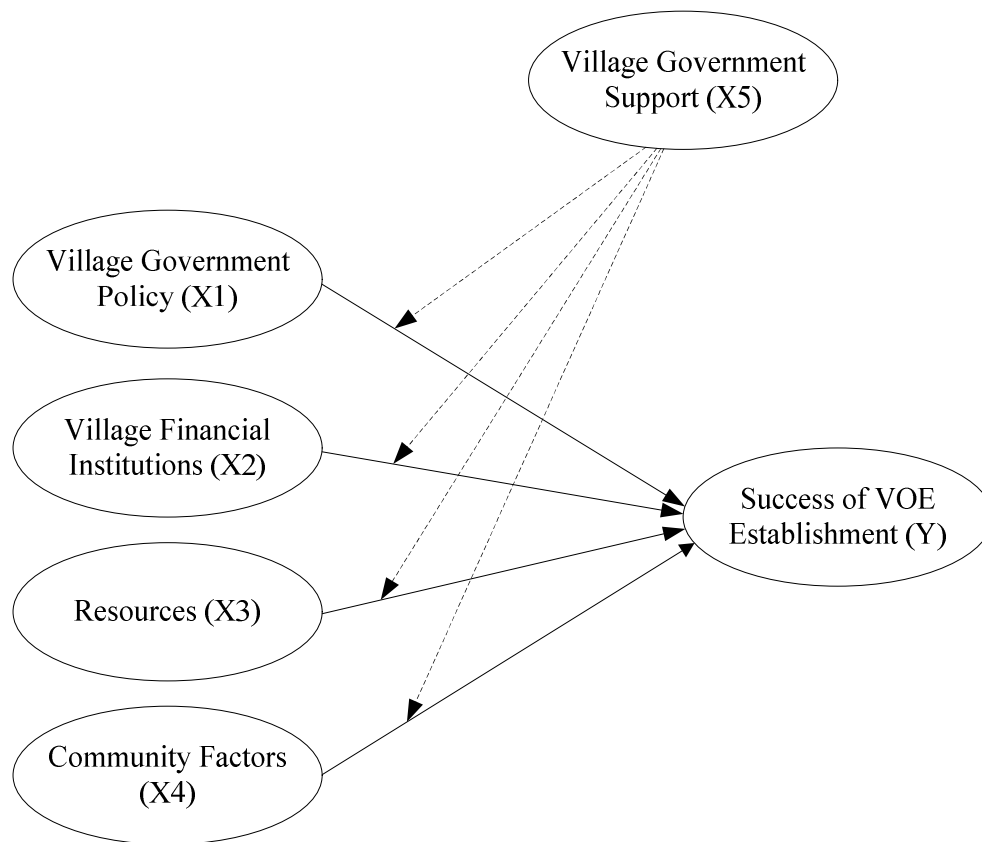


Fig. 1. Research Conceptual Framework

The data used in this study are primary. The variables used in this study are as follows: Village Government Policies (X1), Village Financial Institutions (X2), Resources (X3), Community Factors (X4), Village Government Support (X5), and Successful Establishment of VOE (Y). Data was obtained through a questionnaire with a 5-Likert scale. The pilot survey has been conducted, and it was found that the questionnaire as a research instrument was declared valid and reliable.

Measurement of variables in primary data using the average score of each item. The sampling technique used was simple random sampling. Randomization was done using Microsoft Excel. First of all, the researcher collects data from white source villagers who are active in organizations in the village, the data collected is in the form of names and addresses of residents without considering the age and gender of the villagers. Then each

citizen is given a number 1, 2, 3, and so on. Then with the help of excel, choose 100 numbers at random. Thus, the 100 selected numbers are 100 respondents used in this study.

The object of observation is the residents of Sumberputih Village as many as 100 respondents. The sample selection of 100 customers is because it follows the central limit theory which says that the sampling distribution curve (for a sample size of 30 or more) will center on the population parameter values and will have all the characteristics of a normal distribution. Data analysis was carried out quantitatively, to explain each of the variables studied, descriptive analysis was carried out first, then Structural Equation Modeling (SEM) analysis was carried out with a first-order measurement model. This research uses WarpPLS software.

3 Results and Discussion

3.1 Respondent's descriptive

This study involves 6 (six) variables, namely Village Government Policies (X1), Village Financial Institutions (X2), Resources (X3), Community Factors (X4), Village Government Support (X5), and Successful Establishment of VOE (Y). The six variables were measured using a research instrument in the form of a questionnaire. Respondents in this study were 100 people (households) in Sumberputih Village, Wajak District, Malang Regency. The results of the descriptive analysis of the respondents are presented in Table 1.

Table 1. Description of Research Respondents

Characteristics of Respondents		Frequency
Age	<30 years old	2
	30-39 years old	21
	40-49 years old	18
	>50 years	59
Gender	Male	80
	Female	20
Profession	Farmer	56
	Private	0
	entrepreneur	17
	Driver	21
	IRT	2
	mechanic	2
Education	craftsman	2
	SD	59
	middle school	32
	high school	9
Surface area	<100 m2	10
	100 to <500 m2	39
	500 to <1000 m2	37
	1000 sd < 2000 m2	13
	>2000 m2	1

Source: Primary Data Processed, 2021

3.2 Analysis results

The structural model presents the influence between research variables, by presenting the path coefficient of direct influence (structural model) and the p-value. The magnitude or value of the path coefficient states the degree of strength or weakness of influence between variables or states the degree of strength or weakness of the influence of one variable on other variables. On the other hand, the sign of the path coefficient (positive/negative) indicates the direction of influence between variables. The greater the value of the path coefficient indicates the stronger the influence of one variable on other variables. The positive sign on the path coefficient indicates the direction of the influence in the same direction, that is, the greater the value of a

variable, the greater the value of the affected variable. On the other hand, the negative sign of the path coefficient indicates the opposite direction of influence.

The p-value is used to see the results of hypothesis testing, namely the presence or absence of a significant influence of one variable on other variables. The decision-making criteria are if the p-value < 0.05 (alpha 5%), it can be said to be significant, namely that there is a significant effect of one variable on other variables. In SEM, there are two influences, namely direct effects, and indirect effects.

3.2.1 Direct effects between variables

In Table 2, the following presents the direct effect of the results of the analysis using WarpPLS.

Table 2. Hypothesis Testing on the Direct Effect of WarpPLS Analysis

Influence between variables	Coefficient	p-value	Conclusion
Village Government Policy \rightarrow Successful Establishment of VOE	0.29	< 0.01	Significant
Village Financial Institutions \rightarrow Successful Establishment of VOE	0.34	< 0.01	Significant
Resources \rightarrow Successful Establishment of VOE	0.19	0.03	Significant
Community Factors \rightarrow Successful Establishment of VOE	0.27	< 0.01	Significant

Source: Primary Data Processed, 2021

Based on Table 2, the results of structural model testing for direct effects are as follows:

- 1) Testing the direct effect between Village Government Policy (X1) on the Success of the Establishment of VOE (Y), the structural coefficient value is 0.29, with a p-value of < 0.01 which is less than alpha (0.05). Thus, it is concluded that there is a significant direct influence between Village Government Policy (X1) on the Success of the Establishment of VOE (Y). The structural coefficient is positive, indicating that the relationship between the two is positive. That is, the more appropriate the Village Government Policy (X1), the higher the chances of successful establishment of VOE (Y) in Sumberputih Village.
- 2) Testing the direct effect between Village Financial Institutions (X2) on the Success of the establishment of VOE (Y), the structural coefficient value is 0.34, with a p-value of < 0.01 which is less than alpha (0.05). Thus, it is concluded that there is a significant direct influence between the Village Financial Institutions (X2) on the Success of the Establishment of VOE (Y). The structural coefficient is positive, indicating that the relationship between the two is positive. That is, the greater the role of the Village Financial Institution (X2), the higher the chances of successful establishment of a Village-owned Enterprise (Y) in Sumberputih Village.
- 3) Testing the direct effect between Resources (X3) on the success of the establishment of VOE (Y), obtained a structural coefficient value of 0.19, with a p-value of 0.03 which is less than alpha (0.05). Thus, it is concluded that there is a significant direct influence between Resources (X3) on the success of the establishment of VOE (Y). The structural coefficient is positive, indicating that the relationship between the two is positive. That is, the greater the existing Resources (X3), the higher the chances of successful establishment of VOE (Y) in Sumberputih Village.
- 4) Testing the direct effect between Community Factors (X4) on the Success of the Establishment of VOE (Y), the structural coefficient value is 0.27, with a p-value of < 0.01 which is less than alpha (0.05). Thus, it is concluded that there is a significant direct influence between Community Factors (X4) on the success of the establishment of VOE (Y). The structural coefficient is positive, indicating that the relationship between the two is positive. That is, the more the role of Community Factors (X4) in efforts to establish VOE, the higher the chances of successful establishment of VOE (Y) in Sumberputih Village.

3.2.2 Indirect effects between variables

Testing the direct effect shows that there are 4 out of 4 hypotheses showing a significant effect. In addition to testing the direct effect in accordance with the research hypothesis that has been formulated, this study also tested the indirect effect. The indirect effect shows that the relationship between two variables can be mediated

by moderating variables. In Table 3, the following presents the direct effect of the results of the analysis using WarpPLS.

Table 3. Hypothesis testing on the indirect effect of WarpPLS. Analysis

Influence between variables	Coefficient	p-value	Conclusion
Village Government Policy → Village Government Support → Successful Establishment of VOE	0.03	0.40	Not significant
Village Financial Institutions → Village Government Support → Successful Establishment of VOE	0.04	0.33	Not significant
Resources → Village Government Support → Successful Establishment of VOE	0.08	0.21	Not significant
Community Factors → Village Government Support → Successful Establishment of VOE	0.10	0.16	Not significant

Source: Primary Data Processed, 2021

In Table 3, There are 4 indirect effects. The full results are described as follows:

- 1) The indirect influence between Village Government Policy (X1) on the Success of Establishing VOE (Y) through moderation Village Government Support (X5), obtained an indirect effect coefficient of 0.03 and a p-value of 0.40 (> 0.05). So it can be concluded that there is an insignificant effect between village Government Policy (X1) on the Success of Establishing VOE (Y) through Village Government Support (X5).
- 2) The indirect influence between Village Financial Institutions (X2) on the Success of the Establishment of VOE (Y) through moderation Village Government Support (X5), the indirect effect coefficient is 0.04 and the p-value is 0.33 (> 0.05). So it can be concluded that there is an insignificant effect between village Financial Institutions (X2) on the Success of the Establishment of VOE (Y) through Village Government Support (X5).
- 3) The indirect influence between Resources (X3) on the Success of the Establishment of VOE (Y) through moderation Village Government Support (X5), obtained an indirect effect coefficient of 0.08 and a p-value of 0.21 (> 0.05). So it can be concluded that there is an insignificant effect between Resources (X3) on the Success of the Establishment of VOE (Y) through Village Government Support (X5).
- 4) The indirect influence between Community Factors (X4) on the Success of the Establishment of VOE (Y) through moderation Village Government Support (X5), obtained an indirect effect coefficient of 0.10 and a p-value of 0.16 (> 0.05). So it can be concluded that there is an insignificant effect between Community Factors (X4) on the Success of the Establishment of VOE (Y) through Village Government Support (X5).

3.3 Discussion

Based on the results obtained in Table 2 and Table 3, it is found that there are four significant direct effects, while for all moderating effects the results are not significant. The results of this study can be summarized in Fig. 2.

Based on Fig. 2, this study shows that the variables of Village Government Policy (X1), Village Financial Institutions (X2), Resources (X3), and Community Factors (X4) are factors that influence the success of the VOE Establishment (Y). This is in accordance with the results of research conducted by Ihsan & Setiyono [7]. The research also states that the success of the establishment is influenced by several factors, namely government policies, monetary institutions, resources, and internal community factors. However, the research cannot prove the results of Ihsan & Setiyono's [7] research which states that Government Support should play a moderating role in the factors that influence the success of the establishment of VOE.

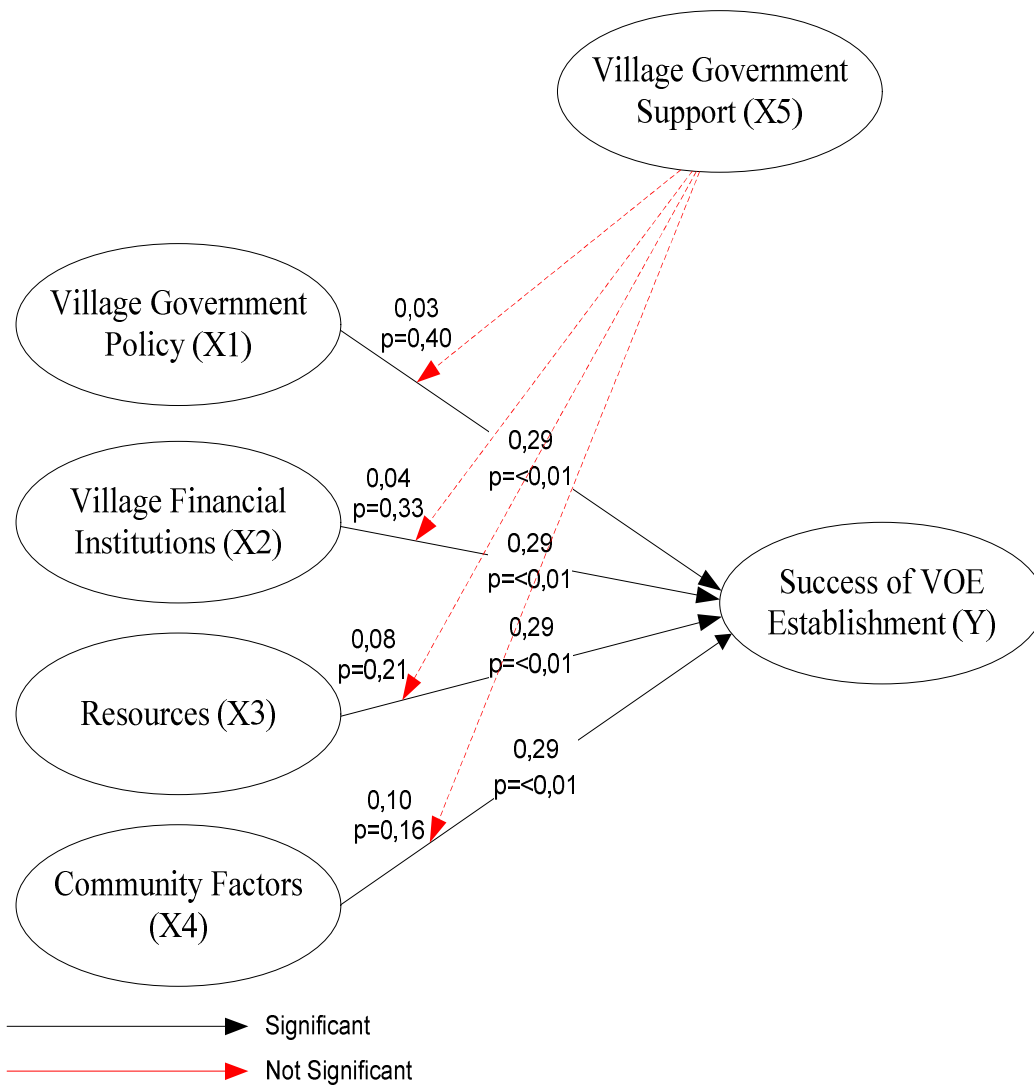


Fig. 2. Research Model Results

4 Conclusion and Recommendation

Based on the results of the study, it can be concluded that Village Government Policies (X1), Village Financial Institutions (X2), Resources (X3), and Community Factors (X4) have a significant effect on the Success of the VOE Establishment (Y). Meanwhile, Village Government Support (X5) is not proven to be able to moderate the influence between Village Government Policies (X1), Village Financial Institutions (X2), Resources (X3), and Community Factors (X4) on the Success of VOE Establishment (Y).

So based on this research, it can be obtained a recommendation that the Sumberputih Village government needs to pay attention to aspects of Village Government Policies (X1), Village Financial Institutions (X2), Resources (X3), and Community Factors (X4) in an effort to establish VOE. The results of this study can also be used as a reference for other villages in Indonesia that have plans to establish VOE in their villages.

Disclaimer

The products used for this research are commonly and predominantly used products in our area of research and country. There is absolutely no conflict of interest between the authors and producers of the products because we do not intend to use these products as an avenue for any litigation but for the advancement of knowledge. Also, the research was not funded by the producing company rather it was funded by the personal efforts of the authors.

Consent

As per international standard or university standard, respondents' written consent has been collected and preserved by the author(s).

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Competing Interests

Authors have declared that no competing interests exist.

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