

# The influence of human resources on the development of the Bumdes-based village economy in the Regency City of North Sumatra

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## ABSTRACT

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This research aims to analyze the influence of Human Resources (HR) on the development of the village economy based on Village-Owned Enterprises (Bumdes) in the Regency/City of North Sumatra. The research method used was a survey with a questionnaire as a data collection tool. The sample for this research consists of some Bumdes in North Sumatra. The results of the data analysis show that Human Resources (HR) has a significant influence on the development of the village economy through Bumdes in North Sumatra. Human resources who have adequate competence, knowledge, and skills can make a positive contribution to the management and growth of Bumdes, which in turn has an impact on improving the economy at the village level. The research results show that factors related to human resources, such as the level of education, training, and skills of Bumdes members, significantly influence the development of the village economy. A higher level of education and good training can increase the capacity and efficiency of Bumdes in managing various economic businesses at the village level. In addition, improved skills can help in business diversification and increase productivity. These findings have important implications for local governments, Bumdes, and village communities in efforts to improve village economic development. This research provides a deeper understanding of the role of human resources in supporting the development of the Bumdes-based village economy in North Sumatra. The results can become a basis for the government and related stakeholders to develop policies and programs that strengthen village human resources and support sustainable economic growth in this region. Investment is needed in human resource development through training, education, and skills development to support the growth of Bumdes and the village economy in North Sumatra.

**Keywords:** *Human resources, Bumdes, economy, Village.*

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## 1. INTRODUCTION

Indonesia, as an archipelagic country with a large population, has diverse economic challenges throughout its territory. One effort to overcome uneven economic development between regions is through economic empowerment at the village level. To achieve this goal, Village-Owned Enterprises (Bumdes) have become an important instrument in encouraging economic growth at the village level. North Sumatra, as a province in Indonesia, is also actively implementing Bumdes in its various villages as a solution to develop the village economy. However, the development of the village economy does not only depend on the existence of Bumdes but is also greatly influenced by the quality and capacity of human resources (HR) involved in the management and implementation of economic activities in the village.[1]

Villages in Indonesia have great potential to become centers of sustainable economic growth. One effort to optimize this potential is to encourage the formation and development of Village-Owned Enterprises (Bumdes). Bumdes is a legal entity owned by the village and managed by the village community itself to drive the economic sector at the village level. North Sumatra Regency/City, as one of the provinces in Indonesia, has many villages that have established Bumdes in an effort to improve the welfare of village communities. North Sumatra Regency/City is one of the regions in Indonesia that has a variety of natural, agricultural, and industrial resource potential that can be used as capital for village economic growth. As government policies and support for the development of Bumdes increase, it becomes important to understand the role of HR in driving this initiative.[2]

Villages in North Sumatra have diverse economic potential, including in the agricultural, livestock, crafts, tourism, and other sectors. To optimize this potential and achieve significant economic growth, it is important to understand the key role played by human resources in managing and developing Bumdes and economic activities



in villages. In this case, HR includes factors such as the level of education, training, skills, experience, and commitment of Bumdes members and village communities involved in local economic activities[3]

Village development has a very important and strategic role in the context of national development and regional development because it contains elements of equitable development and the results can directly touch the interests of the majority of people who live in rural areas to improve welfare. Villages have a lot of potential not only in terms of population but also the availability of natural resources. If these two potentials can be managed optimally, they will provide prosperity for the village population.

Government Regulation Number 11 of 2021 concerning Villages carries a new state mission to protect and empower villages to become developed, strong, independent, democratic villages. The Village Law has given strong recognition to the unity of the village area, including the village's rights in managing the wealth it owns and cultivating the potential it contains. One of the policies that accompanies the stipulation of Government Regulation Number 11 of 2021 is Government Regulation No. 60 of 2014 concerning Village Funds. The ratification of the Village Law and Government Regulation No. 60 of 2014 concerning Village Funds provides new ammunition that gives villages the power to develop themselves. Since then, the government has begun to boost and prioritize the use of village funds for the issue of establishing BUMDes (Village-Owned Enterprises) throughout Indonesia as a solid foundation for people's welfare and providing a legal umbrella for BUMDes as economic actors who manage village potential collectively to improve the welfare of residents. village. Government Regulation no. 11 of 2021 concerning Village-Owned Enterprises (BUMDes) as the legal basis for the formation and management of BUMDes/BUMDes together as legal entities whose arrangements are adapted to corporate principles in general, but still place the spirit of kinship and cooperation as the main pillars in joint management of BUMDes/Village BUM. For this reason, this Government Regulation regulates in detail the apparatus of the BUMDesOrganization/joint BUMDeswhich consists of the Village Deliberation/Inter-Village Deliberation, advisors, operational executors, supervisors, authority and duties of each apparatus of the BUMDesOrganization/joint Village BUM, governance. work and relationship arrangements between BUMDes/joint organizations, as well as provisions to ensure that BUMDes/BUMDes joint organizations can carry out their duties and authority professionally, efficiently and effectively, and accountably.[4]

In regulations regarding the current development of Villages and BUMDes, especially after the presence of Law Number 6 of 2014 and Government Regulation Number 43 of 2014, which states that "To improve the financial capacity of village governments in administering government and increasing community income through various economic business activities in rural communities, village-owned business entities are established by the needs and potential of the village." The explanation of the Law above is very clear that the government provides policies to village leaders or other names who have the authority to regulate and manage the interests of the surrounding community. However, various methods have been used by the government to advance villages, one of which is facilitated by Village-Owned Enterprises (BUMDes) which were developed by the Central Government to advance the village. Village-owned enterprises (BUMDes) are business entities whose capital is wholly or largely owned by the village through direct participation originating from separated village assets to manage assets, services, and other businesses for the welfare of the village community. The establishment of BUMDes is intended to carry out economic businesses and public services managed by the village or collaboration between villages to make the village prosperous. BUMDes functions to facilitate, protect, and empower the economic welfare of rural communities. BUMDes plays a role in regulating the economy in the village so that BUMDes are built according to the needs and potential of the village to empower village communities and carry out development to create better economic change.[1]

The management and development of Bumdes are very dependent on the Human Resources (HR) in the village. Human resources who are educated, trained, and have relevant skills can play an important role in managing various economic businesses owned by Bumdes. The quality of human resources will influence efficiency, productivity, and innovation in village business management. Therefore, it is important to investigate how human resources influence the development of the Bumdes-based village economy in North Sumatra. This research aims to examine the extent to which human resources contribute to the development of the Bumdes-based village economy in the Regency/City of North Sumatra. Factors such as education level, training, experience, and HR skills will be the focus of this research. It is hoped that the findings from this research can provide a clearer view of the relationship between human resources and village economic development so that it can provide useful input for stakeholders, local governments, and village communities in efforts to improve welfare and economic growth at the village level.[5]

It is hoped that the presence of BUMDes will contribute to changes in community welfare because it closes down opportunities for domination by certain groups in controlling village resources. It is hoped that the legal power that gave birth to BUMDes will act as an antidote to the power of the flow of outside business people to control the potential of the rural economy, especially in North Sumatra Province. It can be seen in the picture that BUMDes capital participation is increasing in North Sumatra Province. The emphasis that must be considered in the formation and selection of BUMDes activities is how to identify superior products and the potential that exists in the village. Don't include anything that doesn't come from the village. However, not all villages in

Indonesia optimize their potential by institutionalizing their superior products in BUMDes. Several villages started from problems (lack of water and even medicinal plants) in establishing BUMDes.[3]

The success of BUMDes can be seen from the extent to which BUMDes can utilize village assets and potential as much as possible for the welfare of village residents by opening up the participation of all village residents in the achievement process, therefore villages must start managing village assets owned through BUMDes which are founded on the potential of village characteristics and needs. villagers. The implementation of establishment of BUMDes has not been fully implemented by all villages in Indonesia, until the issuance of Government Regulation No. 6 of 2014 concerning Village-Owned Enterprises. Even though it has been three years since the launch of village funds in 2015, the development of BUMDes in promoting community welfare through the business units they built is still far from expectations. To become a successful and successful BUMDes, of course, you need a strong footing, especially for villages that are just starting to build BUMDes from scratch. In reality, building a productive economy through BUMDes is still difficult for village communities to realize. The number of BUMDes owned by villages in most areas is still very small.

Development BUMDes in the Regency/City of North Sumatra itself started with the rollout of village funds in 2015. Based on the results of BUMDes mapping in the Regency/City of North Sumatra in 2018, the number of BUMDes reached 53 units from 159 villages. Communities in the villages of the Regency/City of North Sumatra rely on agriculture for their livelihoods [9]. Farmers still choose traditional/manual methods in working on rice fields, and they also lack information and knowledge about technological developments, especially in the field of agricultural technology. The village government continues to strive to facilitate so that all community needs and problems can be addressed. Based on the Regulation of the Minister of Villages, Development of Disadvantaged Regions and Transmigration Number 4 of 2015 concerning the Establishment, Management and Management, and Dissolution of Village-Owned Enterprises, the Village Government then together with community leaders and representatives from the community held a deliberation. As a result of deliberations, "BUMDes" was formed. BUMDes in the Regency/City of North Sumatra has been running for less than 4 years. The condition of village communities is still not prosperous, poverty is still very visible. On the other hand, villages have limitations. In this case, capital village social capital is greater than economic capital. The social capital in question is social ties, social bridges, and social networks. This social capital is parochial (limited) being the most shallow social capital and unable to facilitate economic development.

## **2. RESEARCH METHODOLOGY**

The research method used is survey research, namely research in which data is collected from a sample of the population to represent the entire population. The objectives to be achieved in this research, namely identifying and analyzing the influence of several variables that have been determined, the type of research used is explanatory research, namely research that explains the influence between research variables and tests hypotheses that have been previously formulated. The research was conducted in the Regency/City of North Sumatra, North Sumatra Province. with the research object being the Village Economic Development Model Based on Bumdes. The location selection was made based on the development of Bumdes in the Regency/City of North Sumatra. The type of data used in this research is quantitative data. This type of data is taken from primary data sources and secondary data. According to Wibisono, (2003), quantitative data is data in the form of numbers that can be calculated using statistical tools.

Primary data sources were obtained from questionnaires distributed to the community and interviews with village heads and government officials related to Bumdes. Secondary data sources were obtained from the above agency/department offices, journals, and textbooks related to the research. The measurements obtained were using ordinal measurements with a Likert scale. The use of a Likert scale is considering that this research aims to obtain information in the form of answers that indicate the extent to which they feel positive or negative about the topic being studied.

## **3. RESEARCH RESULTS**

The results of research and statistical tests carried out to see the influence of human resources (HR) on the development of the Bumdes-based village economy in the Regency/City of North Sumatra based on variable x as human resources and variable y as economic development by looking at the structural model in PLS were evaluated using R -square for the dependent variable and the path coefficient value for the independent variable whose significance is then assessed based on the t-statistic value of each path. The results of the PLS Algorithm Smart PLS program in assessing the path coefficient and R-square values can be seen in Figure 1 and Table 1 below:

**Table 1 Path Coefficient Value**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values	Decision
x1 -> y	0.171	0.168	0.052	3,301	<b>0.001</b>	<b>Accepted</b>
x2 -> y	0.187	0.192	0.048	3,857	<b>0,000</b>	<b>Accepted</b>
x3 -> y	-0.067	-0.067	0.051	1,318	<b>0.188</b>	<b>Rejected</b>

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x4 -> y	0.181	0.183	0.067	2,705	<b>0.007</b>	<b>Accepted</b>
x5 -> y	0.318	0.318	0.052	6,085	<b>0,000</b>	<b>Accepted</b>

Based on Table below, the structural equation formed is as follows:

$$Y = 0.171 X1 + 0.187 X2 - 0.067 X3 + 0.181$$

Hypothesis testing is carried out by looking at the t-statistics values resulting from the bootstrapping process. The hypothesis is accepted (supported) if the t-statistics value is greater than 1.96 with a significance level of 5% (two-tailed) (Abdillah and Jogiyanto, 2015). The results of the Smart PLS program bootstrapping process can be seen in 1:

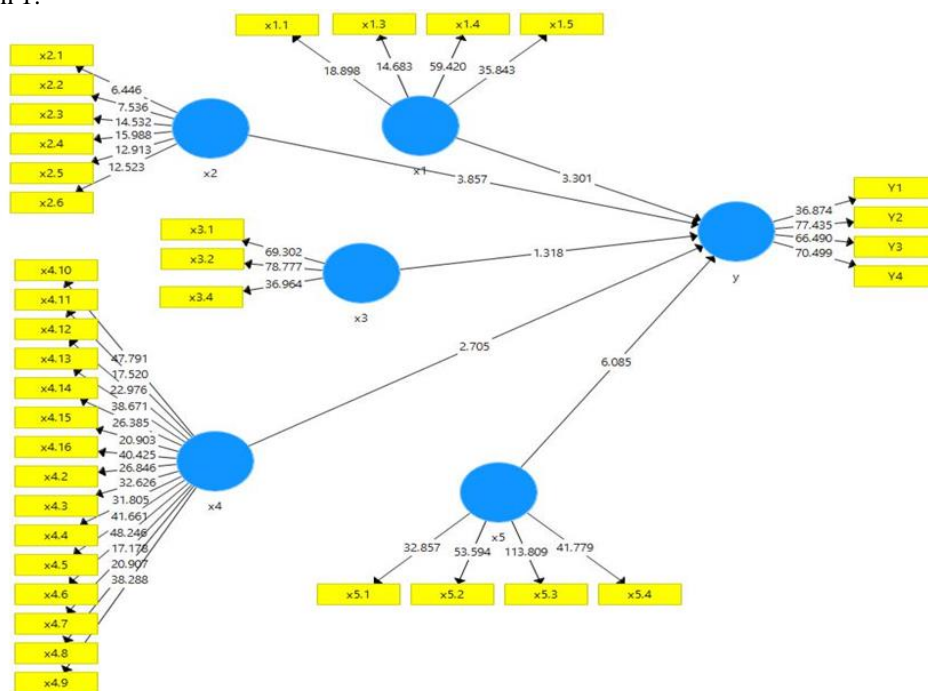


Figure 1. PLS Bootstrapping Calculation Output Display

The process variables of human resources, capital participation, governance, and sustainability have a positive and significant effect on the development of the BUMDes-based village economy. This means that if human resources, capital investment, governance, and sustainability increase, the development of the village economy will be higher. Meanwhile, social capital does not have a significant effect on the development of the BUMDes-based village economy.

The results of research using a quantitative approach conclude that human resources, capital participation, governance, and sustainability are variables that have a significant influence on the development of the BUMDes-based village economy. Meanwhile, the social capital variable does not have a significant effect on the BUMDes-based village economic development variable. Besides that, the rural regional planning variable is not a moderating variable that strengthens the influence of human resources, capital participation, social capital, and governance on the development of the BUMDes-based village economy. The rural regional planning variable is a moderating variable that strengthens the influence on the development of the BUMDes-based village economy. Based on the results of this research, the researcher tried to create a model which places rural regional planning variables as independent variables which together influence the development of the BUMDes-based village economy. The results show that the rural regional planning variable is an independent variable.

Human capital is the skills and knowledge possessed by BUMDEs human resources (supported by good health and excellent physical abilities) to be able to work optimally. In other words, human capital is related to the existence of competent personnel, for example having knowledge and expertise regarding technical aspects (for example, tools, diseases, pests, soil, seeds) and managerial/non-technical aspects (for example, communication and organizational management) (Devas, 1997; Guijarro, 2007; Stapel & Schneider, 2012). Human Resources (HR) is a planning, implementation, and maintenance strategy aimed at managing people (employees) so that they have maximum business performance, including development policies and processes to support the strategy. Mathis and Jackson (2006) explain that HR is the design of various formal systems in an organization to ensure the effective and efficient use of human skills to achieve organizational/company goals as desired. Hasibuan (2003) believes that Human Resources means integrated expertise that comes from the thinking power and physical strength possessed by each person. The entity that does what it does and the nature of what it does still has a close relationship, such as its descendants and its environment, while its work performance is motivated by a desire to fulfill its desires. Hariandja (2002) believes that Human Resources is one of the most important factors in a company seen from other factors besides business capital. Therefore, HR is very necessary to be managed well so that the effectiveness and efficiency of the company increases. Sonny Sumarsono explained that there are two types of understanding of HR, the first is a work effort or service that is provided to carry out the production process. In other words, Human Resources is the quality of effort carried out by someone within a certain period to produce services or goods. Still related to the first thing, the second definition of HR is where humans can work to produce services or goods from their work efforts. Being able to work means being able to carry out various activities that have economic value, or in other words, these activities can produce goods and services to meet life's needs.

The results of this research show that Human Resources significantly influence the development of the BUMDes-based village economy. This research supports the results of research conducted by Loni, et al (2012) which explains that the quality of human resources has a significant effect on village economic growth in Mamasa Regency. Apart from that, research conducted by Wakerkwa (2016) explains that human resources have a role in improving community development in Umbanume Village, Pirime District, and Lanny Jaya Regency. Wakerkwa (2016) explains that the higher a person's education, the higher the community's participation in community development.

This research is in line with government policy which can be seen in Government Regulation No. 11 of 2021 concerning Village-Owned Enterprises Letter A which states that there is a need for general guidance and development, including data collection and ranking, monitoring, evaluation, human resource development, institutional development and organizational management, as well as development activities, one of which is education and training in business management and entrepreneurship by business needs and growth.

This Government Regulation is the legal basis for the formation and management of BUMDes/joint Village BUM as a legal entity whose regulations are adapted to corporate principles in general, but still place the spirit of kinship and cooperation as the main pillars in managing the joint BUMDes/BUMDes. For this reason, this Government Regulation regulates in detail the apparatus of the BUMDesOrganization/joint BUMDeswhich consists of the Village Deliberation/Inter-Village Deliberation, advisors, operational executors, supervisors, authority and duties of each apparatus of the BUMDesOrganization/joint Village BUM, governance. work and relationship arrangements between BUMDes/joint organizations, as well as provisions to ensure that BUMDes/BUMDes joint organizations can carry out their duties and authority professionally, efficiently and effectively, and accountably.

#### 4. CONCLUSION

Based on the results of the data analysis previously explained, the conclusions are as follows: The Human Resources variable partially has a significant effect on the development of the BUMDes-based village economy. This means that if human resources increase, the development of the village economy will be higher. Human resource indicators are the level of motivation, comfort, initiator, managerial capacity, and level of understanding of BUMDes. All indicators significantly influence the development of the BUMDes-based village economy. The Social Capital variable does not have a significant effect on the development of the BUMDes-based village economy. Social Capital indicators are harmonious communication, unity of views, political climate and attraction of interests, and community support and trust.

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