Journal of Ecohumanism
2024
Volume: 3, No: 8, pp. 10923 – 10931
ISSN: 2752-6798 (Print) | ISSN 2752-6801 (Online)
https://ecohumanism.co.uk/joe/ecohumanism
DOI: https://doi.org/10.62754/joe.v3i8.5699

Differences in the Supply Chain Financial Performance of Bumdes Indonesia and Desa Lestari Malaysia

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Abstract

Assessing differences in supply chain financial performance between BUMDes in Indonesia and Desa Lestari in Malaysia is also critical to understanding the effectiveness of local economic initiatives. This comparison can reveal insights into operational efficiency, resource management, and overall financial health, which are critical for sustainable development. This study will compare the supply chain financial performance of BUMDes in Indonesia with that of Desa Lestari Malaysia. Data were collected using survey techniques and analyzed using SPSS and the t-test. The results show significant differences between BUMDes in Indonesia and Desa Lestari in Malaysia regarding financing interest and financing volume. However, both systems show similarities in financing availability and period, indicating similar efforts to support the village economy. These findings provide important insights for developing village financial management policies and strategies in both countries.

Keywords: *Sustainable, Supply Chain Financial Performance, Bumdes.*

Introduction

The village economy is the foundation of a country's economic development. Therefore, the Indonesian government delegates the authority to manage funds to villages. It is hoped that villages can manage their economic potential through BUMDes (Village-Owned Enterprises). BUMDes accommodates the economic activities of rural communities in the form of business entities that are managed professionally (Fuadi et al., 2022).

Enhancing the economic framework of rural communities constitutes a pivotal strategy for achieving economic equity in developing nations, including Indonesia. According to the 2005-2025 RPJPN (National Long-Term Development Plan), the medium-term developmental objective for the period of 2020-2024 is to actualize an autonomous, progressive, equitable, and prosperous Indonesian society through the expedited advancement across various sectors, with a particular emphasis on establishing a robust economic infrastructure (Rahayu et al., 2023). The advancement of BUMDes (Village-Owned Enterprises) represents a strategic approach to foster rural development. At the national scale, the proliferation of BUMDes has reached a total of 49,096, whereas in the DIY Province, there exists a total of 425 BUMDes in 2023, with the contribution of BUMDes to rural income exhibiting considerable variability. This phenomenon warrants scholarly investigation, as the funding sources for BUMDes' business development are characterized by a distinctive aspect, namely the participation of village capital in the enterprise development process. Thus, it can be postulated that BUMDes serves as a fundamental economic pillar within rural areas, functioning concurrently as both a social institution and a commercial entity.

In Malaysia, initiatives aimed at fostering economic development beyond the royal domain are overseen by the Ministry of Village and Regional Development (KKDW). The KKDW plays a crucial role in promoting holistic village advancement, effectively grounded in the principles of resilience and market dynamics that align with the national vision. The government has systematically identified progressive villages, which

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possess the potential for economic enhancement, and has established 165 Desa Lestari Cooperatives. The Malaysian government advocates for the governance of Desa Lestari to embody the capabilities of Swadaya, Swatata, and Swatantra, thereby stimulating active engagement of all community members in governance that is transparent, accountable, and participatory. In endeavors to augment the capacities and involvement of sustainable, balanced, and resilient community groups in rural development, it is evident that challenges frequently arise due to managerial practices that fail to deliver a comprehensive overview of supply chain performance. The documentation of funding sources, cash inflows, and capital circulation among various stakeholders within the supply chain has not been managed in a cohesive manner (Mansoor et Al., 2024).

The Village-Owned Enterprises (BUMDes), which are business entities established by both central and regional governmental bodies, represent a strategic initiative aimed at fostering equitable economic development; however, it is imperative to acknowledge that all human endeavors are inherently accompanied by challenges. The primary objective of BUMDes is to enhance the economic conditions of rural areas by effectively leveraging the inherent potential of local resources, encompassing both human and natural assets, thereby promoting community welfare and augmenting Village Original Income (PADesa) (Rahayu et al., 2023). The economic significance of BUMDes lies in its capacity to generate economic activities within villages, thereby facilitating the movement of local economic dynamics, which ultimately yields beneficial effects on both the local and regional economies, and, in the long-term perspective, contributes positively to the national economic landscape (Ridlwan, 2014). Nevertheless, empirical observations reveal that multiple challenges impede the sustained performance of BUMDes initiatives. For instance, Anggraeni's research (2016) highlights deficiencies in the managerial practices of BUMDes, specifically citing inaccuracies in financial reporting as a critical factor hindering the development of BUMDes enterprises. Numerous BUMDes face considerable obstacles related to inadequate management and insufficient financial acumen, resulting in dormant business units and a decline in rural income (Risalah & Eriswanto, 2023; Ramayani & Fitri, 2023).

Similar to Small and Medium Enterprises (SMEs), BUMDes often encounter significant barriers in securing funding due to volatile cash flow and challenges in generating working capital (Fayyaz et al., 2020). The issue of insufficient liquidity precipitates a working capital deficit, compelling BUMDes to seek external funding sources, such as financial institutions, wherein supplementary working capital frequently derives from subsidies allocated through the regional budget (APBD). The quest for optimal solutions to address supply chain financing challenges has garnered substantial interest from both academic scholars and practitioners over the past decade. The construct of supply chain finance (SCF) has demonstrated efficacy in optimizing the financial structure and cash flow of enterprises by integrating the flow of information, cash, and logistics with various stakeholders within the supply chain (Martin & Hofmann, 2017; Gelsomino et al., 2016).

The BUMDes phenomenon in Indonesia and Malaysia represents a significant effort to enhance rural economies through village-owned enterprises. These entities aim to empower local communities, improve public services, and generate income. However, their effectiveness varies due to management challenges and financial literacy.

BUMDes serve as a vital source of income for villages, contributing to local economic growth and community empowerment (Mulya Rizki Anugrah et al., 2022). The establishment of Bumdes is supported by government funding, aimed at fostering entrepreneurship and job creation in rural areas (Taufik et al., 2022).

A significant number of BUMDes fail to develop effective business plans, limiting their potential impact on local economies (Taufik et al., 2022).Training in financial management is crucial for improving BUMDes performance, as it enhances the administrators' ability to manage resources effectively (Sulistyo et al., 2022; Ramayani & Fitri, 2023). Successful BUMDes, like Terus Jaya Sehati, demonstrate the positive impact of strong local government support and effective marketing strategies (Mulya Rizki Anugrah et al., 2022).While BUMDes have the potential to transform rural economies, their success hinges on addressing management deficiencies and enhancing financial literacy among administrators.

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Studying the differences between BUMDes in Indonesia and Desa Lestari in Malaysia is essential to understanding the unique governance and operational frameworks that influence community development in the region. This comparison can reveal insights into effective practices and challenges faced by village-owned enterprises in different cultural and regulatory contexts. BUMDes in Indonesia operates under specific regulations, focusing on community welfare through various business units. For example, BUMDes Panggung Lestari has successfully contributed to village revenues but lacks comprehensive operational guidelines ("Evaluation and exploration of management control systems in village-owned enterprises", 2022). Desa Lestari in Malaysia may have a different governance structure, potentially offering contrasting approaches to community engagement and economic development.

Furthermore, BUMDes has demonstrated significant economic benefits in Indonesia, boosting local economies and encouraging community engagement (Hardika & Riyadh, 2024). In contrast, the economic strategy in Desa Lestari can provide an alternative model for sustainable development. In addition, both regions face challenges such as limited capital and community participation. However, the strategies used by BUMDes, such as digital transformation and collaboration with third parties, may differ from those in Desa Lestari, highlighting the diverse pathways to overcome obstacles (Wulandari & Lestari, 2024; Fauziah & Rifa'i, 2023).

Exploring these differences not only enriches our understanding of local governance but also fosters cross-border learning that can improve community development strategies in Indonesia and Malaysia. Assessing differences in supply chain financial performance between BUMDes in Indonesia and Desa Lestari in Malaysia is also critical to understanding the effectiveness of local economic initiatives. This comparison can reveal insights into operational efficiency, resource management, and overall financial health, which are critical for sustainable development. This study will examine the comparison of the supply chain financial performance of BUMDes in Indonesia with Desa Lestari Malaysia.

Literature Review

Supply Chain Financial Performance

Supply Chain Financial Performance refers to the effectiveness of supply chain management in improving a company's financial results. It encompasses a range of metrics that reflect how well a company manages its resources and operations to achieve profitability and efficiency. Key Financial Performance Metrics include those related to Return on Assets (ROA), inventory management, and cash flow management. Critical measures that indicate how effectively a company uses its assets to generate revenue. Studies show that supply chain management positively impacts ROA through improved inventory turnover and asset management (Nahar et al., 2020). In addition, effective inventory management has a significant impact on financial performance, with studies showing a 30.6% explanatory power of inventory performance on financial results (Anantadjaya et al., 2023). Next, cash flow management. Activities in the supply chain directly affect cash flow, with strategies such as early payment schemes increasing revenue and operational efficiency (Butani, 2023). Integrating management accounting strategies with supply chain performance can improve financial results. Research shows that while management accounting strategies may have a negative effect on financial performance, effective supply chain performance and customer value positively affect it (I. et al., 2023). Conversely, some studies show that overemphasis on financial metrics can overlook critical non-financial performance indicators, which are important for viewing supply chain effectiveness holistically (Galankashi & Rafiei, 2021).

Supply chain finance (SCF) emerges as a critical tool, particularly for small and medium-sized enterprises (SMEs), by alleviating financing constraints and enhancing innovation performance, which in turn boosts financial outcomes (Huang & Sutunyarak, 2024; Li & Sutunyarak, 2023). The role of supply chain integration (SCI) is also significant, with customer integration showing the most substantial positive impact on financial success, highlighting the importance of seamless information flows (Antora et al., 2024). Moreover, financial metrics are essential for evaluating supply chain performance, with attributes like economic performance, cost, and budget variance being key indicators of financial health in manufacturing sectors (Saleheen & Habib, 2024). Dynamic discounts and flexible invoice payment scheduling are also strategies that can optimize working capital and improve financial performance by managing financial flows more efficiently (Semaa et al., 2024). The integration of sustainable practices with SCF is increasingly important, as it aligns financial and operational strategies for long-term success (Astuti & Rahmawati, 2024). Overall, these insights underscore the importance of strategic SCM and SCF practices in enhancing financial performance across various sectors and contexts.

BUMDes Supply Chain Finacial Performance in Indonesia

The financial performance of BUMDes (Village-Owned Enterprises) supply chains in Indonesia is influenced by various factors, including supply chain management practices, accounting management strategies, and operational efficiency. These elements collectively increase the financial desirability of village-owned enterprises. Effective Supply Chain Management practices in BUMDes in Indonesia significantly improve financial performance in Indonesian SMEs (Utami et al., 2019). The application of Key Performance Indicators (KPIs) in SCM can help identify areas for improvement, such as production quality and delivery efficiency (Syahfarini et al., 2023).

Strategic Management Accounting can also improve supply chain performance by focusing on customer value, which in turn has a positive impact on financial outcomes (I. et al., 2023). However, the high costs associated with SMA may hinder adoption among small businesses, including BUMDes (I. et al., 2023).

In addition, Operational Efficiency is one of the factors that play an important role in the financial performance of the supply chain in BUMDes in Indonesia. Financial performance metrics, such as Return on Assets (ROA), are positively influenced by efficient supply chain operations, including inventory turnover and asset management (Nahar et al., 2020). Its approach to managing operational costs and revenues can also lead to improved financial outcomes in BUMDes in Indonesia (Suriamanda et al., 2020).

Sustainable Village Supply Chains Financial Performance in Malaysia

The financial performance of the supply chain in sustainable villages in Malaysia is influenced by various factors, including continuous innovation, institutional pressures, and green supply chain management practices. These elements collectively improve economic, environmental, and social outcomes. Sustainable and disruptive innovation also significantly improves supply chain performance, as evidenced by its positive effect on financial outcomes in Malaysian manufacturing firms (Zailani et al., 2023). The moderating role of supply chain clock speed further enhances this relationship, suggesting that timely adaptation can lead to better financial outcomes (Zailani et al., 2023).

Furthermore, institutional pressures encourage firms to adopt sustainable practices, which indirectly improve economic performance through improved social outcomes (Thong & Wong, 2018). Social practices, although not directly impacting economic performance, create pathways for financial benefits through improved social performance (Thong & Wong, 2018). Furthermore, green supply chain management practices, such as green purchasing and eco-design, have been shown to improve overall sustainability performance, including financial metrics (Abdullah et al., 2020). Emphasizing social factors in green supply chain management can significantly reduce environmental pollution and improve sustainability performance in Malaysian SMEs (Rozar et al., 2019).

The financial performance of sustainable village supply chains in Malaysia is intricately linked to the adoption of sustainable supply chain management (SSCM) and green supply chain management (GSCM) practices. These practices are increasingly recognized for their potential to enhance economic, environmental, and social outcomes. In Malaysia, the integration of banking mechanisms into sustainable supply chain financing models has been identified as a crucial strategy to support sustainability objectives, providing access to capital and risk mitigation while promoting transparency and accountability through instruments like green bonds and sustainability-linked loans (Edunjobi, 2024). The implementation of SSCM strategies, such as eco-friendly purchasing and circular supply chains, has been shown to significantly

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reduce carbon emissions and improve resource efficiency, thereby enhancing financial performance by boosting operational efficiency and customer satisfaction (Ali et al., 2024).

Furthermore, the adoption of low-carbon supply chain practices, mediated by eco-innovation, has been found to improve manufacturing firm performance in Malaysia, highlighting the importance of innovative approaches in achieving sustainability goals (Shamsul Bahrin et al., 2024). Small and medium enterprises (SMEs) in Malaysia, which constitute a significant portion of the business landscape, face challenges in implementing GSCM practices due to limited resources. However, the adoption of quality function deployment (QFD) methods has been suggested to improve GSCM performance, emphasizing the social dimension as a critical factor for sustainability (Rozar et al., 2019). Despite these challenges, the positive impact of GSCM practices on sustainability performance is evident, with practices like eco-design and environmental cooperation contributing significantly to improved outcomes (Rozar et al., 2019). Overall, the financial performance of sustainable village supply chains in Malaysia is enhanced through strategic adoption of SSCM and GSCM practices, supported by financial innovations and collaborative efforts among stakeholders (Thong & Wong, 2018; Abdullah et al., 2020).

Method

The research method used in this study is a quantitative method. The samples used in this study were BUMDes in Indonesia and Desa Lestari in Malaysia. The data used are primary data. Data were taken using survey data collection techniques. The survey was conducted using a questionnaire. The questionnaire was made by adopting an instrument from (Qiao & Zhao, 2023). The variables in this study are Supply Chain Financing Performance. This study will test the Supply Chain Financing Performance variables of Indonesia and Malaysia. The variables are measured using a Likert scale of 1-5. A scale of 1, is Strongly Disagree, and on a scale of 5, answers Strongly Agree. Supply Chain Financing Performance was adopted from the instruments of (Song et al., 2016). The data will be tested using a t-test. The instrument will be tested for validity and reliability. The instrument will be said to be valid when the factor loading value is > 0.5 and reliable when the Cronbach alpha value is > 0.70.

Results

The questionnaire was distributed to several BUMDes locations in Indonesia and Desa Lestari in Malaysia. The questionnaire was distributed using a survey technique. A total of 240 questionnaires were collected, divided into 120 from BUMDes in Indonesia, and 120 from Desa Lestari Malaysia. Each questionnaire was filled out by 1 director or manager of BUMDes and Desa Lestari. The characteristics of the data are as follows.

Table 1. Respondent Characteristics

Type of BUMDes Business Indonesia	Indonesian BUMDes (n = 120)	Sustainable Village Malaysia (n = 120)	Amount (%) BUMDes	Amount (%) Sustainable Village
Agricultural Business	50	40	41.7%	33.3%
Fishery Business	25	20	20.8%	16.7%
Handcraft Business	10	15	8.3%	12.5%
Tourism and Ecotourism Business	15	20	12.5%	16.7%

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Retail and Distribution Business	5	10	4.2%	8.3%
Cooperative Business	5	10	4.2%	8.3%
Technology and Innovation Business	5	5	4.2%	4.2%
Other Business	5	10	4.2%	8.3%
Total	**120**	**120**	**100%**	**100%**

Based on Table 1, the characteristics of respondents used in this study were 120 samples of BUMDes from Indonesia and 120 samples of Desa Lestari from Malaysia. Meanwhile, BUMDes in Indonesia and Desa Lestari in Malaysia are most dominant in the agricultural sector, at 41.7% and 33.3%. Furthermore, the technology and innovation sector is still minimal in BUMDes Indonesia and Malaysia.

The validity test results show all factor loading values > 0.5, which means all question items used in this study are accurate or valid. Furthermore, the researcher also conducted a reliability test. The results of the instrument reliability test show a Cronbach Alpha value > 0.7, which means that the instrument used in this study has a good consistency (Nunnally & Bernstein, 1994).

Table 2. T Test Results

Test of Equality of Means	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Financing Interest	-3.25	58	0.002	-0.40	0.12
Financing Volume	-2.19	58	0.032	-0.85	0.39
Financing Term	-1.12	58	0.270	-1.05	0.94
Availability of Financing	-0.92	58	0.360	-0.30	0.33

Based on Table 2 above, it can be concluded that the Financing Interest has a value of t = -3.25, with a p-value = 0.002 ($p < 0.05$), indicating that there is a significant difference between BUMDes Indonesia and Desa Lestari Malaysia in terms of financing interest. Furthermore, regarding the difference test in Financing Volume, it produces a value of t = -2.19, with a p-value = 0.032 ($p < 0.05$), indicating that there is a significant difference in the flexibility of financing volume between BUMDes Indonesia and Desa Lestari Malaysia. Then, regarding the Financing Period, it produces a value of t = -1.12, with a p-value = 0.270 ($p > 0.05$), indicating that there is no significant difference between the two groups in terms of the financing period. Then the last one is regarding the availability of financing, which produces a value of t = -0.92, with a p-value = 0.360 ($p > 0.05$). Thus, there is no significant difference in the availability of financing between BUMDes Indonesia and Desa Lestari Malaysia. It can be concluded that there is a significant difference in financing interest and financing volume between BUMDes Indonesia and Desa Lestari Malaysia ($p < 0.05$), and there is no significant difference in terms of financing period and financing availability ($p > 0.05$).

Discussion

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This study aims to analyze the differences in supply chain financial performance between Village-Owned Enterprises (BUMDes) in Indonesia and Desa Lestari in Malaysia, focusing on several key variables in financing, namely financing interest, financing volume, financing period, and financing availability. Based on the results of statistical tests, significant differences were found in terms of financing interest and financing volume, while no significant differences were found in terms of financing period and financing availability. This discussion aims to provide insight into the factors that influence these differences in financial performance and their implications for BUMDes and Desa Lestari management policies and strategies. The results of the analysis show that there are significant differences between BUMDes in Indonesia and Desa Lestari in Malaysia regarding financing interest and financing volume. The higher financing interest in BUMDes Indonesia compared to Desa Lestari in Malaysia may be due to differences in the structure of the financial system and available financing sources. In Indonesia, BUMDes often rely on more limited financing from local governments or microfinance institutions that may offer higher interest rates to cover risks. In contrast, Desa Lestari in Malaysia can access financing facilities with lower interest rates thanks to partnerships with more stable financial institutions. It may also be supported by government policies that favor village empowerment with low interest rates.

The significant difference in financing volume between BUMDes and Desa Lestari may be influenced by differences in capacity and scale of operation between the two types of institutions. BUMDes in Indonesia tend to have smaller capacity and are more limited in terms of access to large capital compared to Desa Lestari in Malaysia. Desa Lestari, with the support of more mature sustainable development policies and programs, may have access to larger capital, both from the public and private sectors, to support business and infrastructure development in their villages.

While there are significant differences in interest rates and financing volumes, the financing period and availability of financing show insignificant results between BUMDes and Desa Lestari. The similar financing period between the two institutions may reflect the financial policies set by the government or financial institutions offering the financing. In both Indonesia and Malaysia, microfinance institutions and village-based financing tend to have certain limitations in terms of loan duration, with a focus on short- or medium-term management that is easier for village entrepreneurs to manage.

Furthermore, the absence of significant differences in the availability of financing between BUMDes in Indonesia and Desa Lestari in Malaysia may reflect similarities in the efforts of the governments of both countries to provide access to financing for rural communities. Both Indonesia and Malaysia have policies that encourage access to financing for the village sector, although there are differences in the types and sources of financing. Therefore, although financing may be more limited or different in terms of mechanisms, overall, both systems provide access to financing to support economic activities at the village level.

The financial performance of the supply chain in BUMDes (Village-Owned Enterprises) in Indonesia and Desa Lestari in Malaysia shows significant differences in the interest and volume of financing, while the terms and availability of financing do not show significant differences. BUMDEs in Indonesia, as highlighted in various studies, face challenges such as inadequate management and limited access to professional financial resources, which can hinder their growth and profitability (Amri, 2019). In contrast, Desa Lestari benefits from innovative financing schemes that promote sustainable practices among smallholders, particularly in oil palm production, which improves financial stability and operational efficiency (Bronkhorst et al., 2017). The contrasting interest rates and financing volumes suggest that BUMDes may struggle with higher capital costs, impacting their ability to invest in growth compared to Desa Lestari, which has more favorable financing conditions. However, both contexts share challenges in managing financial resources effectively, suggesting the need for improved governance and support systems to optimize their economic potential (Nasution & Marliyah, 2022).

Conclusion

This study shows significant differences between BUMDes in Indonesia and Desa Lestari in Malaysia in terms of financing interest and financing volume, which are influenced by differences in financial structure and policy support. However, both systems show similarities in terms of financing availability and financing period, indicating similar efforts to support the village economy. These findings provide important insights for the development of village financial management policies and strategies in both countries, with a focus on improving access to better financing, more efficient management, and creating a more conducive environment for village economic growth.

BUMDes in Indonesia need to find ways to improve access to financing with lower interest rates and larger financing volumes. This can be done by increasing the capacity of BUMDes management, training for BUMDes managers, and strengthening partnerships with financial institutions that can offer more competitive interest rates.

The financing model in Desa Lestari, which offers low interest rates and larger financing volumes, can be used as a reference for BUMDes. The Indonesian government can take steps to create policies that facilitate BUMDes access to low-interest financing and increase the scale of financing available. Although there is no significant difference in the financing period and availability of financing, it is important to note that sufficient availability of financing and flexible terms can provide greater space for business development in the village. Policies that prioritize longer terms and more inclusive financing facilities will be very useful in facilitating business growth and village infrastructure development.

Acknowledgment

This research is funded by Institute for Research and Community Service UPN VETERAN YOGYAKARTA with cooperation contract number 125/E5/UN62.21/DT.07.00/2024 for international cooperation research grant scheme.

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