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Financial Literacy and Entrepreneurial Finance In Bumdesa Management Study

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ABSTRACT

The purpose of this study is to get an overview of the knowledge and financial aspects of entrepreneurship to be a decisive part in the management of Bumdesa. The method used in this research is descriptive qualitative with a case study approach. The results obtained are from the aspect of financial literacy of the Bumdesa management on human resource input, knowledge of the preparation of financial reports and the inadequate ability to analyze financial statements so that they have not been able to make financial reports as a basis for decision making. The financial aspect of entrepreneurship can be seen from the Bumdesa business idea. running a business idea, the ability to organize a business, develop innovation as a whole have been implemented, but have not run optimally, so that it has an impact on the Bumdesa financial performance.

Keywords: Financial literacy, Entrepreneurial finance, Bumdesa



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INTRODUCTION

The presence of the Village Law number 6 of 2014 provides a new hope for villages to develop their potential to become independent villages. Implications of the existence of a village law giving authority to villages include village-scale local authority. This authority provides a role for how the village can manage its own household, including managing their own finances. Village Financial Management includes one component of how the Village's efforts to get their own sources of income other than transfers from the government are village original income. Village original income is one part of the reflection of the implementation of village authority in order to obtain sources of income. So that the village is required to be more independent, how to increase sources of income which will later be managed in village financial management. These efforts include investing in village-owned enterprises or Bumdesa.

Bumdesa is an economic institution formed by the Village Government which is expected to be able to provide or earn profits (President of the Republic of Indonesia 2021). Thus, the income generated is expected to be a source of village original income. To meet these expectations, the bumdes must be managed properly, therefore good management skills are needed by looking at the opportunities or potential of the business to be carried out. This ability to assess and managerial ability is expected, so that later bumdes can develop. It takes a manager who is committed, has an entrepreneurial spirit and has an understanding of finance, so that he is able to answer the trust given by the village government, including being able to make the right business investment decisions.

The existence of bumdesa in Lumajang Regency in particular, in several villages has begun to show progress, but has not been able to fully translate what is expected by the ideals of the village law itself. Some of these weaknesses include how to manage economic institutions. Based on data from the Community Empowerment Service and Lumajang district villages, out of 198 villages, there are only 90 villages that have established Bumdesa, and only 10% are considered to be able to run in a healthy manner with the indicator having a surplus. This condition can be seen from several Bumdesa which still have not made a profit and some of them do not even have a business. This is because several things include the foresight or ability of the bumdes management who have not been able to see the potential that can be developed in the village. Based on this phenomenon, the study took a theme about literacy and entrepreneurial financial behavior in the management of bumdesa. The purpose of the research is to analyze how the literacy and financial aspects of entrepreneurship are carried out and what are the causes and impacts for Bumdesa financial management.

Research on financial literacy, among others, was carried out by (Astuti et al., 2019) argued that financial knowledge and how one behaves about finances has no influence on investment decisions as an entrepreneur. Then research (Janor et al., 2016) said that, overall, the level of Financial literacy in Malaysia and the UK is low and actions need to be taken by the government to raise awareness about matters related to finance. The literature findings also reveal that demographic, economic, social, and psychological factors are the main determinants, that several general themes arise regarding the consequences of Financial Literacy on investment decisions. While research (Allgood & Walstad, 2016) suggested that the combined measures provide a greater understanding of how financial literacy affects financial behavior. Actual and perceived financial literacy seem to influence financial behavior and that perceived financial literacy may be as important as actual financial literacy.

Entrepreneurial finance, among others, was put forward by Cumming (Cumming et al., 2019) where entrepreneurial finance is a distinctive aspect of corporate finance, particularly with regard to informational asymmetry and investor involvement in portfolio firms. Research on other entrepreneurial finance was carried out by Fraser, bhaumik and Wright (Fraser et al., 2015) which discusses entrepreneurial finance and its relationship to growth. Namely understanding the role of entrepreneurial cognition, objectives, types of ownership and stage of the company's life cycle in funding/investment decisions. The results reveal an important relationship between access to external finance and growth due to limitations in the current approach to examining financial constraints. The researcher proposes the existence of a funding gap and business performance by identifying the financial constraints of entrepreneurship through supervision. Research on the relationship between financial behavior and investment decisions was carried out by (Rasheed & Siddiqui, 2019) who examined the relationship between attitudes and financial decision making that the low level of awareness of owner-managers regarding financial procedures affected their attitudes. Lack of knowledge about finance and the dominant role of the owner-manager in making corporate decisions also increase the negative influence of risk factors on the attitude of the owner-manager of SMEs. Research by (Gill & Bajwa, 2018) conveyed about the relationship of Behavioral Finance, Human Behavior Theory, Behavioral Bias & Investment Decisions.

Behavioral finance is not a new concept, the existence and impact of behavioral bias in investor behavior and human judgment is enormous. Study by (Subramaniam & Velnampy, 2017) concludes that behavior finance still has biases including Representativeness bias, Overconfidence bias, Availability Bias, Loss Aversion bias, Regret Aversion bias and Herding influence the investment decisions of household investors.

METHOD

This research is a type of qualitative research with a case study approach. Case study research is an empirical study that investigates contemporary phenomena in real-life contexts (Yin, 2001). The case study research method is the right strategy to use in research that uses the main research question "how" or "why", it takes little time to control the events studied, and the focus of research is on contemporary phenomena (Nur'aini, 2020). This study will conduct an analysis by observing a phenomenon regarding aspects of financial literacy and entrepreneurial finance on the management of Bumdesa, based on a problem analysis approach with a cause and impact approach to financial management. The resource persons or research informants took the key person, namely the Bumdesa manager, village officials and village assistants in the village of Labruklor, Lumajang sub-district. How to obtain data is done by conducting in-depth interviews or indept interviews by testing the validity of the data by means of triangulation, including evidence by field observations or documents as well as interviews with other parties who are still related or limited group discussions with the parties as informants.

RESULTS AND DISCUSSION

The business entity owned by the village of Labruk Lor, Lumajang District, Lumajang Regency was established in 2018. Until the 2020 period, it has received a capital allocation from the Labruk Lor Village government of 350 million. The number of Bumdesa administrators is 4 people, consisting of the chairman, secretary, treasurer and one employee. Business units that are run in the field of fisheries include the provision of animal feed for bumdes partners, namely fisheries groups in the village, in addition to running catfish cultivation business and post-harvest product processing. The initial idea of choosing a fishery business was to look at the local potential of the village, where Labruk Lor village is known as a catfish fishing center in Lumajang district. In its development, Bumdesa business activities experienced ups and downs, especially in the selection of fishery unit business diversification. For example, post-harvest processing activities, which were previously routinely carried out are now only based on orders. This is as conveyed by Dayat, the chairman of Bumdesa. "In the beginning we ran a unit that focused on catfish fisheries, from cultivation to product processing, but we have not been able to sustainably produce and process products, but based on orders only."

In 2020, Bumdesa won the trust of the Labruk lor village government with additional capital, which came from the acquisition of village credit agency activities of 20 million. Until now, the additional funding has not been managed. Based on the 2020 financial report, Bumdesa has started to be able to finance its operations independently, and has been able to get a surplus even though it is still relatively small, amounting to 2 million. The numbers are not minus, but in terms of the ability to earn profits it is still not optimal.

Financial literacy aspects

Researchers found that there are several aspects of financial literacy that become obstacles in managing Bumdesa business, including human resource input, knowledge of financial statement preparation and the ability to analyze financial statements.

The input of actors' resources to the Bumdesa manager is open. This means that the board or manager is chosen based on the aspect of character and business experience, not considering the aspect of conformity with the required knowledge, including understanding of management of business organization management, especially on the financial aspect. The election of the board is also based on the village head's sense of trust in the candidate for the board. This is as conveyed by the village assistant, Sutikno. "At the time of the election for the bumdes management, finding the right person as expected was quite difficult to implement. So they tend to be chosen based on skills, business experience and the village head's sense of trust in the management." Changes in management in the midst of ongoing activities also affect the performance of the bumdesa. "I have just become chairman, since May 2021, replacing the old chairman who resigned, this is an obstacle for me because I have to reorganize when Bumdesa is cleaning up"

In appropriate human resources have a less than optimal management impact, but this gap is minimized by increasing the capacity of the management regarding Bumdesa management. Forms of capacity building include training and mentoring as revealed in the research by Setyobakti (M. H. Setyobakti, 2018).

The preparation of the Bumdesa Labruk lor financial report has used the excel program tool, which facilitates the implementation of financial administration. However, conceptually, the understanding of financial statements is not sufficient. In terms of the ability to analyze financial reports, the Bumdesa management does not yet have good analytical skills, so that Bumdesa activities related to the implementation of current financial transactions have not fully paid attention to aspects of financial ratios. This is reinforced by the existing financial report data, that of the institution's assets worth 372 million, more than 120 million has been deposited in the bank which has not been utilized for the last 2 months. Based on this, the level of financial literacy has an impact on the operationalization of activities (Vanauken et al., 2017). In this case, the Bumdesa Management needs to get intensive assistance related to financial management, so that they are better able to make reports as the basis for making decisions in business investment. Setyobakti 2017 stated that financial knowledge is important in carrying out Bumdesa business activities (H. Setyobakti, 2017). Knowledge of finance also affects financial behavior (Allgood & Walstad, 2016)

Entrepreneurial finance aspects

Entrepreneurial finance is a financial aspect related to financial behavior that is carried out with an entrepreneurial approach. So that the financial behavior that is carried out is related to the entrepreneurial spirit (H. Setyobakti, 2017). In this study, there are several aspects found in relation to entrepreneurial financial behavior, including entrepreneurial cognition and the stages of the Bumdesa life cycle in funding decisions. The translation of these aspects includes how Bumdesa finds business ideas. How Bumdesa carries out business ideas, how is the ability to organize businesses, and how to develop innovations that have an impact on Bumdesa's financial performance.

The selection of Bumdesa's initial business idea was started from the management's observation of the village's potential. Labruk lor village has been known as a fishery center, especially catfish. The elected Bumdesa administrator is one of the experienced catfish cultivators. Based on this condition, the business unit developed is the fishery sector. One of the factors that underlie the choice of this business is the difficulty of cultivators in fulfilling fish feed, because they have to buy in cash directly. This gap factor is then answered by fulfilling fish feed, with a consignment pattern where the buyer takes the goods first, then pays for it when taking the goods back. This pattern is considered to be able to help the difficulties of catfish cultivators. This is as conveyed by Mr Dayat. "We chose a fishery business, because in this village there are many catfish farmers, we try to fulfill animal feed by installments and then take the goods again, according to farmers this is very helpful"

Cognition about entrepreneurship, at the level of finding initial ideas, is quite supportive, meaning that it is able to recognize opportunities and potentials well (Motylska-Kuzma, 2017). Business development with a social entrepreneurship approach based on the potential and disparity of the problems faced is one way to increase village empowerment.(Bakti, 2018) and (setyobakti et al., 2020). This entrepreneurial knowledge supports funding decisions on business selection, so that the funding that is decided is truly in accordance with the potential and opportunities that exist(Koryak et al., 2015).

Bumdesa in carrying out business ideas in the field of fisheries is carried out by building partnerships with catfish cultivators that have existed so far. This concept is carried out so that there is good business relationship with local actors, by not competing with them by running a similar business, but taking a void, namely the fulfillment of the input aspect in the form of fulfilling fish feed through a consignment scheme, in the process aspect with processing catfish products and purchasing output. production result. Specifically, the post-harvest processing business idea, initially worked well, but in its development it decreased due to the marketing factor of the products produced. This is as conveyed by the resource person, Mr. Dayat. "At the beginning of the business we chose a partner pattern with a farmer group, then we took the initiative to develop the business by processing catfish in collaboration with women's groups in the village, but we have not been able to continue on a regular basis, because market constraints mean we have not been able to market well, even though we I hope that this pattern will help market the group's products."

Based on these data, in terms of developing ideas, the bumdesa administrators are able to think cognitively about entrepreneurial ideas, but at the time of running it turns out that there are still obstacles, and the management has not been able to answer the problems they face. So that the business that has been in existence and is still possible to be developed, cannot be run and eventually dies. The management's persistence in overcoming the existing problems is also not visible, even though from the aspect of financial funding it is sufficient. This shows that the entrepreneurial attitude is still not fully running well (Zainura et al., 2017).

Business organization is carried out with the aim of how the chosen business can run well. In the implementation of the Bumdesa Labruk Lor business organization, business management is carried out directly by the Bumdesa administrators. There is no special manager who handles the existing business units, this is because it is still perceived as a business institution with small assets, so it is still handled directly by the existing management with direct control by the chairman of the board. This is as conveyed by the resource person, Mr. Dayat. "In running the business, we still haven't appointed a unit manager, considering that there is only one activity and a small asset, but it is handled directly by the management, in this case the chairman is the chairman. However, we have limitations on how to manage with a good management approach, due to capacity and limited personnel. Moreover, the change of chairman made it a bit difficult for us to organize the existing management"

Based on these data, the number of Bumdesa management is not the main obstacle in managerial implementation. Managing the business directly by the Bumdesa management is the most logical choice to run, considering that the business unit is still one unit. The problem is the capacity of managers who do not yet have managerial technical capabilities, especially after there is a change in the chairman of the board who resigns. Business organization is an important aspect that supports operational activities, because there is a clear division of tasks, patterned operational management activities, finance and marketing and other aspects. Bumdesa is a business institution that must still be seen as a professional institution in managing activities with a good managerial approach (Prasetyo, 2017)

Innovation for business people is a character that supports the sustainability of a business. Innovation will provide a solution to the problem of running business stagnation, that's why innovation in business is needed. For an entrepreneur, the character of developing innovation

becomes something that should be attached, thus providing good business instincts, by bringing up business development strategies.(DeTienne & Wennberg, 2016).

As stated in the previous discussion, in fact Bumdesa has made efforts to innovate activities. Development of innovations by Bumdesa Labruk Lor, including by implementing the idea of developing a catfish processed business as a product developed from post-harvest processing. Processed catfish production is carried out with a partnership model with women's groups in the village. This idea emerged along with the abundance of catfish cultivation. Mr. Fatur rahman as one of the village assistants stated as follows; "The idea of processed catfish was chosen because at that time there were abundant products, it was hoped that it could absorb the production of catfish cultivators in the village" further conveyed by Dayat "in the beginning, catfish processing activities were able to run and even have many diversifications including catfish meatballs, catfish floss, instant catfish and catfish chips. This activity only lasted for approximately 6 months, due to limited marketing constraints, we have not been able to continue"

This information illustrates that the idea of business innovation has been carried out, this shows that the behavioral aspects of entrepreneurial finance have been carried out, by investing in new businesses. (Wu et al., 2016). Innovation is an effort to maintain business sustainability, in the midst of a situation that continues to change. This environment should be a concern for Bumdesa so that business sustainability can be maintained with stable and even increasing profits (setyobakti et al., 2020).

Based on previous data, the development of Bumdesa according to the financial report information submitted at the end of 2020, has assets of 370 million, with a profit rate of 2 million. Confirmation made to the Bumdesa management, that the operational conditions of the business unit have decreased in activity, where Bumdesa has not been able to manage the finances that have settled in the account. Cash in the bank is actually a potential that can be maximized in obtaining operating profit. This condition is due to the courage in taking opportunities that have not gone well. This condition only occurs because the management has not been able to innovate development ideas so that they do not dare to make funding decisions even though the business feasibility aspect meets.

Confirmation to resource persons, Mr. Dayat, said "we are not yet brave enough to run the existing finances, because our innovation ideas do not yet exist, but our experience in selling catfish business still has good prospects" This opinion was strengthened by Mr. Sutikno as the village assistant. develop a wider partnership pattern, by increasing the number of partner groups whose plans are to be financed by the bumdesa, but later sales through the bumdesa We have also discussed building an integrated concept with catfish education tourism, starting from breeding to post-harvest processing, so that they will support each other."

Based on these data, there is a stagnation of activity that has a low impact on funding decisions, and has not even existed for the last 3 months. Actually, the idea for the business development innovation plan is quite good and has been well analyzed, only the execution of funding remains. So it can be said from the aspect of innovation and the courage to make decisions that are still not going well, which should be inherent in entrepreneurial financial behavior(Suharyono, 2017).

CONCLUSION

The aspect of financial literacy for Bumdesa is a must in carrying out managerial functions. Lack of understanding of financial literacy makes Bumdesa managers in making business decisions not based on existing financial conditions. The impact is financial performance to decline. Human

resource input is a problem in itself in the management of Bumdesa, so that capacity building so that management understands finances is something that must be done.

The Bumdesa manager or administrator is a party trusted by the village government in running a business in the village. In this case, people are needed who are able to read the potential and opportunities for business development and are able to innovate. Therefore, the Bumdesa management should have a strong motivation in developing business ideas and be able to innovate which is the hallmark of an entrepreneur. The hope is that this entrepreneurial spirit will be able to manage Bumdesa finances with an entrepreneurial finance approach, namely financial administration based on aspects of entrepreneurial behavior. In the end, the resulting funding decisions can have an impact on business sustainability by considering the business strategy by considering the dynamics of the existing business environment.

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