

Research Article

Intellectual Capital Strategy in Increasing the Financial Performance and Empowerment of BUM Desa in Indonesia

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Abstract.

Intellectual capital is an intangible asset consisting of knowledge and networks, which are believed to increase economic added value in the business. In the context of the enactment of Undang-Undang No. 6 tahun 2014 concerning villages, BUM Desa has an important role as an economic institution at the village level which is expected to become one of the main pillars of economic development. This study aims to identify and measure the extent to which intellectual capital is present in BUM Desa, and also to analyze the impact of the relationship between this intellectual capital and the financial performance of BUM Desa. The study was carried out by BUM Desa in Tambang District, Riau Province, as a case example. Intellectual capital measurement was carried out through a Likert scale analysis, while financial performance was measured through the ability of BUM Desa to generate profits and control costs. A descriptive approach was used to describe the relationship between intellectual capital and financial performance. The results of the study show that the intellectual capital of BUM Desa is formed from three main dimensions – structural capital, relational capital, and human capital. BUM Desa is able to generate profits from assets that are more efficient than equity funding and can reduce costs to maximize profits.

Keywords: human capital, intellectual capital, financial performance

1. Introduction

Village economic development has become an important issue in national economic development after the issuance of Undang-Undang No. 6 tahun 2014 concerning Villages through the development of Village -Owned Enterprises (BUM Desa). The Riau Provincial Government's attention to the development of BUM Desa can also be seen in the provision of special financial assistance from the Riau Provincial Government to villages with the main focus on increasing the role of BUM Desa in developing a productive economy in rural areas. This policy hopes that BUMDes as stated corporations will be formed based on the needs and potential of the village. BUM Desa is a

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pillar of village economic activity that functions as a social institution and a commercial institution.

According to Undang-Undang No. 6 tahun 2014, BUM Desa is a business entity in which all or most of the capital is owned by the village through direct participation originating from village wealth. Capital is separated to manage assets, services, and other businesses to improve people's welfare. UED-SP which is currently the forerunner to the development of BUM Desa in Riau according to Rasyid [1] was formed to pursue the achievement of social performance compared to achieving financial performance, but UED-SP has been able to achieve performance in achieving social missions in poverty alleviation and achieving profit performance. At present, many BUMDes in Riau have developed business units other than business financing services for village communities.

The BUM Desa development strategy must be able to keep up with business developments and increasingly fierce business competition. Thus it is not enough to rely only on the availability of tangible capital (equity participation) but must be directed at strengthening intangible and knowledge-based capital. According to internal environmental factors that support the development of BUM Desa are management, finance, human resources, facilities and infrastructure, and legal protection [2,3]. Then the external environmental factors that support the development of BUM Desa are technology, business partners, government, village potential, community participation, and competitors. Then [4] explained that intellectual capital has a significant influence on the sustainability of small and medium enterprises (SMEs) in Malaysia, particularly on the dimensions of knowledge and innovation, while employee competence and skills have no significant effect. Economic change characterized by a knowledge-based economy with the application of knowledge management will be able to create prosperity [5]. So the transformation of science-based BUM Desa development to increase profit performance is needed to support economic development in rural areas.

Intellectual capital has a positive effect on employee performance at PT. PER, employees with high intellectual capital will contribute to increasing job competition in the organizational environment [6,7]. In other words, the higher the intellectual capital of a company, the higher the employee performance results. The future and prospects of BUM Desa will depend on management's ability to utilize the invisible value of intangible assets [3,7,8].

The orientation of developing BUM Desa which emphasizes labor intensive, the more workers, the higher the performance, needs to be oriented towards the development of knowledge-based business units that seek to increase productivity through intellectual capital.

Identification of intangible assets in BUM Desa, such as intellectual capital, is very important. However, research on intellectual capital reporting at the village level is still minimal, both in Indonesia and abroad. This is due to accounting processes which are generally designed for trading institutions and do not cover all institutional activities

Currently, the BUM Desa business unit is growing and developing in villages in the Tambang District, Kampar Regency. Villages that have developed BUM Desa, namely Kuapan, Teluk Kenidai, Kualu Nenas, and Tarai Bangun. BUM Desa was formed to improve the community's economy.

At the end of the year, each village holds a village meeting with one of the agendas to discuss BUM Desa accountability reports, profit achievement and development of BUM Desa capital and identification of problems faced by BUM Desa in its development. The discussion of BUM Desa reports is still laden with financial developments and presents reports on the results of the use of tangible assets. The development of BUM Desa has not yet discussed the role and existence of intangible assets, namely intellectual capital in planning BUM Desa in the future.

2. Research Methods

This research was conducted in 4 villages in Tambang District, Kampar Regency, Riau Province, namely: Tarai Bangun, Kuapan, Kualu Nenas Village, and Teluk Kenidai. Location determination is based on the level of activeness of BUM Desa activities and the development of business units implemented by BUM Desa. Selection of BUM Desa was determined by purposive sampling with the criteria of BUM Desa being active for 1 year or more, still active and not being frozen or has been dissolved, having annual financial reports, having complete data related to assets, equity, income, expenses, costs, employees, and profit. While respondents in BUM Desa were determined by selecting as many as 22 people using a purposive sampling technique with the criterion being still active in working at BUM Desa, and BUM Desa administrators who had contributed to working at each BUM Desa.

The data used in this study are primary data and secondary data. Primary data was obtained by filling out questionnaires and conducting direct interviews with BUM Desa management. Analysis of the formation BUM Desa's intellectual capital is answered using a Likert Scale, which aims to measure the opinions, perceptions and attitudes of a person or group of people regarding social phenomena. The use of the Likert Scale is carried out by compiling several questions based on indicators of the variables being measured. The instrument items were prepared according to Chahal and Bakshi [9]. Secondary data was obtained from various sources and literature from both government and private agencies. BUM Desa financial analysis is obtained from BUM Desa financial reports which include profitability ratios, and the third objective is to use descriptive analysis.

3. Results and Discussion

The age of the largest respondents ranged from 26-35 years as many as 15 people, while the smallest respondents ranged from 16-25 years as many as 2 people. Based on the productive age of all BUM Desa administrators in the Tambang District, they are still of productive age. Judging from the education of BUM Desa management, the average BUM Desa administrator is a high school graduate or equivalent with a total of 11 people, then Strata 1 is 10 people, and Strata 2 is 1 person.

3.1. Identification of BUM Desa intellectual capital

The condition of the intellectual capital of BUM Desa administrators in the Tambang District can be seen from the 3 variables forming intellectual capital, namely Human Capital, Structural Capital, and Relational Capital. This can be seen in the following Table 1.

TABLE 1: Existence of intellectual capital of BUM Desa Management in Tambang District.

Variable Intellectual Capital	Score	Category
Human Capital	3.60	Role
Relational Capital	3.97	Role
Structural Capital	4.07	Role
Average	3.88	Role

Based on the research results as presented in Table 1, intellectual capital The BUM Desa identified was formed by the Structural Capital dimension with a score of 4.07, followed by Relational Capital with a score of 3.9 and Human Capital with a score of 3.60. Meanwhile, the formation of intellectual capital for each BUM Desa administrator can be seen in the Table 2 below.

TABLE 2: Establishment of intellectual capital for BUM Desa administrators in Tambang District.

BUM Desa	Human Capital	Relational Capital	Structural Capital
Taiba Smart	3.69	3.88	3.88
Agro Nenas	3.63	3.65	3.70
Sakinah Lestari	3.50	4,19	3.99
Bermarwah	3.70	3.77	3.66

Human Capital shows how the ability, competence, creativity, and leadership possessed by BUM Desa administrators in carrying out their duties while being administrators of BUM Desa. BUM Desa Bermarwah has better Human Capital than other BUM Desa, so that the management of BUM Desa Bermarwah is better than other BUM Desa administrators.

Relational Capital shows that BUM Desa has good communication skills to create beneficial relationships both internally with BUM Desa and with parties outside (external) BUM Desa. Relations that exist within internal) concern all BUM Desa administrators, from managers to members of the BUM Desa board, while external BUM Desa concerns the ability of BUM Desa management to interact and communicate with the community, certain authorities, and others. BUM Desa which has the best relational capital is the one with the highest score, namely BUM Desa Sakinah Lestari with a score of 4.19.

Structural Capital can be seen how BUM Desa management utilizes technology in facilitating and increasing the performance productivity of BUM Desa, including in planning and implementing BUM Desa business activities. BUM Desa Sakinah Lestari has the highest score of the other BUM Desa with a score of 3.99, so it can be seen that BUM Desa Sakinah Lestari has the ability to manage good technology and has methodologies and processes in BUM Desa business activities.

3.2. BUM Desa financial performance

Financial performance describes the financial condition of BUM Desa in a certain period that concerns fundraising and is usually measured by indicators of profitability. Profitability Ratio is a comparison to determine the ability of BUM Desa to earn profits from managing assets and equity. The profitability ratio is measured based on the financial statements owned by each BUM Desa in the Tambang District.

Based on the financial reports of BUM Desa, it can be seen that BUM Desa Sakinah Lestari has greater assets, income and profits than other BUM Desa, while BUM Desa Bermarwah has the smallest assets. The ability of BUM Desa to generate income shows that BUM Desa Agro Nenas has the ability to earn the smallest profit, while BUM Desa Bermarwah has the ability to earn the smallest profit due to the fact that it requires higher operational costs compared to BUM Desa Agro Nenas. This condition indicates that asset ownership and the ability to earn profits at BUM Desa in the Tambang District are not always in line with the ability to earn profits, as a result of the financial management of the required expenditures is different.

Table 3 shows that BUM Desa Sakinah Lestari has assets of Rp. 996,414,119, - with an equity of Rp. 1,262,332,357, - then able to collect profit after tax, which is Rp. 54,528,098,- . While the largest operational costs are owned by BUM Desa Taiba Smart Rp. 109,144,005 while the highest operational income is also in BUM Desa Taiba Smart with a total of Rp. 137,357,500.

TABLE 3: Financial conditions of BUM Desa in Tambang District.

BUM Desa	Equity (Rp)	Cost operational (IDR)	Income operational (IDR)
Taiba Smart	757,074,498	109,144,005	137,357,500
Agro Nenas	202,100,767	4,968,000	7,918,500
Sakinah Lestari	1,262,332,357	42,105,950	96,634,048
Bermarwah	80,830,500	8,745,931	10,725,000

Analysis of the financial performance of BUM Desa in the Tambang District uses the Profitability Ratio which is a comparison to determine the ability of BUM Desa to earn profits from income related to sales, assets and equity. The profitability ratios used in this study are 1. Return on Assets (ROA), 2. Return on Equity (ROE), and 3. Operational Costs Operating income is measured based on the annual financial reports owned by each BUM Desa in the Tambang District. After calculated using 3 profitability ratios then it

can be seen and compared the results of calculating the profitability ratio of BUM Desa in Tambang District for 1 year from the following Table 4:

TABLE 4: Comparison of BUM Desa profitability ratios in Tambang District.

Name of BUM Desa	Return On Assets (%)	Return On Equity (%)	BOPO (%)
Taiba Smart	3.68	3.72	79.45
Agro Nenas	0.39	1.45	43,57
Sakinah Lestari	5,47	4,31	62,73
Bermarwah	0.02	2.44	31,26
Average	2.39	2.98	54,25

In return on assets (ROA), the higher the ROA value, the better the ability of BUM Desa to manage owned assets. Based on the table above, the average ROA value is 2.39%, which is included in the “very good “ category. BUM Sakinah Lestari village has the highest return on assets (ROA) with a value of 5.47% which indicates that the BUM desa is more effective in managing its assets to generate a larger amount of net profit. In return on equity (ROE), the higher the ROE value, it indicates that the level of return on investment owned by BUM Desa is higher. BUM Desa Sakinah Lestari has the highest ROE value with a value of 4.31% which indicates BUM Desa Sakinah Lestari has a better return on investment than other BUM Desa. The average ROE value of all BUM Desa in the Tambang District has a value of 2.98% which is based on Bank Indonesia Circular Letter 6/23/DPNP/2011, ROE is considered “not good”. The business owned by BUM Desa Sakinah Lestari is in the field of savings and loans and trade. In Operational Income Operating Costs (BOPO), the smaller the BOPO value, the more efficient the BUM Desa is in carrying out its business activities. The lowest BOPO ratio is owned by BUM Desa Bermarwah with a value of 31.26% and for the average BUM Desa it has a value of 54.25% which is considered “very good”. BUM Bermarwah Village has a type of business in the savings and loan sector and the leasing sector.

3.3. Intellectual capital relationship and financial performance

The relationship between intellectual capital and the financial performance of BUM Desa is analyzed descriptively by paying attention to the symptoms of the relationship between the two variables. The tendency of the relationship between the value of intellectual capital and financial performance, namely ROA, ROE and BOPO will be explained descriptively to illustrate the relationship between the existence of intellectual capital

and the achievement of BUM Desa financial performance in Tambang District, Kampar Regency. The relationship between intellectual capital and the financial performance of BUM Desa in the Tambang District can be seen in Table 5 below:

TABLE 5: Intellectual capital value and BUM Desa profitability ratios in Tambang District.

Name of BUM Desa	Intellectual Capital	Financial performance (%)		BOPO
		Return on Asset	Return on Equity	
Taiba Smart	3.82	3.68	3.72	79.45
Agro Nenas	3.66	0.39	1.45	43.57
Sakinah Lestari	3.89	5.47	4.31	62.73
Bermarwah	3.71	0.02	2.44	31.26

The results of the study show that there is a link between intellectual capital and the financial performance of BUM Desa. Table 5 shows that BUM Desa which has the highest intellectual capital, namely BUM Desa Sakinah Lestari (3.89) has financial performance to collect better profits, with an ROA of 5.47%, and an ROE of 4.31%, and the value of BOPO (Operating Costs Operating Income) of 62.73%. Meanwhile, BUM Desa which has the lowest intellectual capital, namely BUM Desa Agro Nenas (3.66) has also lower financial performance BUM Desa Agro Nenas, namely ROA of 0.39% and ROE of 1.45%, and BOPO value of 43.57%. then it can be concluded that BUM Desa which has good intellectual capital value, its financial performance is also good and vice versa Village BUM which has intellectual capital value (intellectual capital) also has a bad influence on its financial performance. The results of research on financial performance in small companies by Suadma and Trong [10,11] are very related to this research.

4. Conclusion

Based on the research results described above, some conclusions from this study are Intellectual capital was found in the management of BUMDesa which was formed sequentially by the dimensions of Structural Capital, Relational Capital and Human Capital. The financial performance of BUM Desa in Tambang District based on return on assets (ROA) is considered quite good with a value of 4.43%, return on equity (ROE) is quite good with a value of 9.32%, and the Ratio of Operational Income to Operational Costs (BOPO) is not good with a value of 54.25%. Intellectual capital is

related to the performance of BUM Desa, where BUM Desa which has a high value of intellectual capital also has better financial performance, and vice versa BUM Desa with low intellectual capital has poor financial performance.

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