

Do Competence, Information Technology, and Innovation Affect the Performance of Village-Owned Enterprises

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ABSTRACT

The Village-owned Enterprises's performance that is not optimal is a question that continues to be answered. This study examines the relationship between competence, information technology and innovation on the performance of village-owned enterprises. The data used are primary data obtained through questionnaires. Questionnaires were distributed online to Directors, Secretaries, Treasurers, and Village-owned Enterprises staff in East Java from August to September 2022. The number of respondents in this study was 59 people. This research uses Structured Equation Model Partial Least Square (SEM-PLS). Data processing uses the SMART PLS4. The test was carried out in two stages, namely the measurement model test and the structural model. Data analysis was carried out by testing the measurement model and structural model. The measurement model test was carried out by testing convergent validity, discriminant validity and reliability testing. While the structural model test was carried out with the Inner Model Test consisting of R-Square, Path Coefficient, T-Statistic Test, Predictive Relevance, and Fit Model. The test results show that competence has a significant effect on innovation and performance. Meanwhile, information technology has a significant effect on innovation but does not significantly affect the Village-owned Enterprises's performance. Simultaneous test results show that competence and technology together influence the performance through innovation.

Keywords: Village-owned Enterprises; Competence; Information Technology; Innovation; Performance.

INTRODUCTION

One of the Indonesian government's programs is to improve people's welfare through village development. Since the issuance of Law Number 6 of 2014 concerning Villages, villages have become independent government entities. The village has the authority to manage finances independently so that village development is more effective and in accordance with the needs of the community. The financial management authority given to the village starts from planning, budgeting, implementation, administration, reporting, and accountability. As a form of the central government's seriousness in village development, the central government provides funds to each village, known as the Village Fund. In addition, each regional government is also required to provide a portion of transfer funds received from the central government to villages in the form of village fund allocations.

The financial management authority given to the village is intended so that the village can carry out services and development independently so that apart from being given funding from the central government and regional government, the village is expected to be able to generate income from the village itself to accelerate the implementation of development. The government has also encouraged villages to form village-owned enterprises which are expected to be able to become



catalysts for village growth. Village-owned Enterprises is expected to become the foundation for rural economic development. Village-owned Enterprises is also positioned as a business institution that elevates the village's superior product potential.

Village-owned Enterprises is a business entity established by the village government and/or along with the community with most ownership by the village government and the remainder by the community. Government Regulation Number 11 of 2021 (PP 11 of 2021) defines Village-Owned Enterprises as legal entities established by villages. The main activities of Village-owned Enterprises are managing/running a business, utilizing village assets, developing village productivity and investment, administering public services, and carrying out other business activities for the greatest welfare of the village community.

The purpose of Village-owned Enterprises is to improve the economy in the village environment. Village-owned Enterprises is expected to be able to carry out economic activities in the village environment by utilizing village potential and assets. Village-owned Enterprises began to flourish after Law Number 6 of 2014 concerning Villages was enacted which made the village an independent government entity that had the authority to manage finances independently. The Ministry of Villages, Development of Disadvantaged Regions, and Transmigration emphasized efforts to advance Village-owned Enterprises by providing space for Village-owned Enterprises to collaborate with BUMN and corporate business activities. Village-owned Enterprises is expected to be able to obtain profits and profit sharing for the village which will become village income which will later be used for village development. In running a business, Village-owned Enterprises must pay attention to potential, village assets, and community participation. Village-owned Enterprises must be able to absorb labor in the village and grow supporting economic activities carried out by the community.

The growth of Village-owned Enterprises since the promulgation of the Village Law has been massive. The development of Village-owned Enterprises from 2014 to 2021 can be seen in Figure 1.

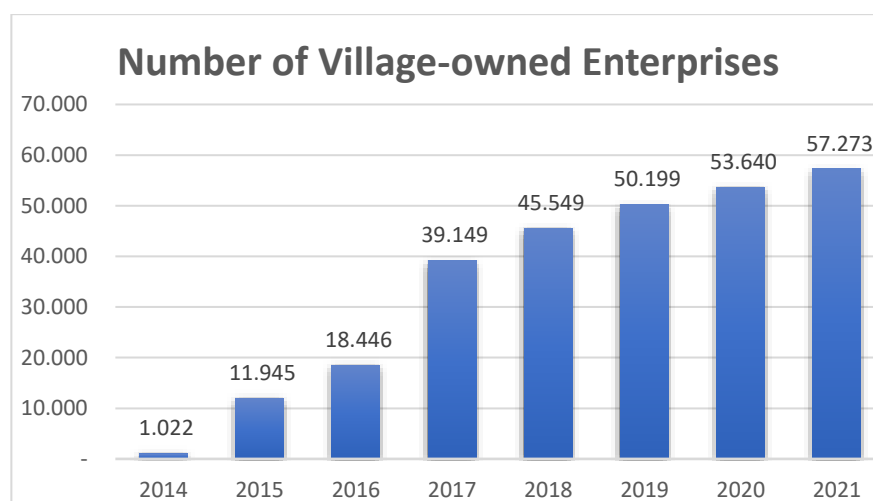


Figure 1. Number of Village-owned Enterprises from 2014 – 2021

Based on Figure 1 Village-owned Enterprises is developing very rapidly. This is certainly an encouraging condition for the Indonesian government. Zalukhu, Hendriani, and Fitri (2020) stated that Village-owned Enterprises can improve the village economy. However, the rapid development of Village-owned Enterprises has not been in line with the Village-owned Enterprises's performance. The Supreme Audit Agency (BPK) of the Republic of Indonesia (2019) stated, in the 2018 semester 2 audit report, that based on the 2018 sampling test of 8,220 Village-owned Enterprises, there were 2,188 not yet operating, 1,670 operating but not yet contributing to the village. The Ministry of Villages and PDTT stated that as many as 29,465 out of a total of 57,273 Village-owned Enterprises units (51%), until 2021 were still carrying out operational activities, the rest were not operating.

The Village-owned Enterprises's performance that is not optimal is a question that continues to be answered. One of the causes is human resources Competence. Sudirno, et al. (2020) states that the Village-owned Enterprises's performance is caused by several problems including low competence, infrastructure, and the lack of community empowerment. BPK (2019) states that many Village-owned Enterprises managers are incompetent. Zalukhu, Hendriani, and Fitri (2020) state that competence is the main problem in managing Village-owned Enterprises. Mangkunegara (2005) states that Village-owned Enterprises's competitive advantage is largely determined by the competence of human resources. Hidayati (2015) states that Village-owned Enterprises performance will be low if Village-owned Enterprises managers are incompetent. Darmaileny, Adriani, & Fitriaty (2022) state that competence is the main problem for the Village-owned Enterprises's performance.

Apart from human resources competencies, a factors that affecting the Village-owned Enterprises's performance is the use of information technology. The current rapid development of technology encourages organizations to utilize technology to improve their performance, including Village-owned Enterprises. Village-owned Enterprises uses information technology to carry out administrative management as well as marketing. Not a few Village-owned Enterprises carry out product marketing through websites or other digital platforms. The use of technology will of course improve the performance. Hermalinda, Afriansyah, & Meriana (2021) states that information technology has a significant effect and positive on the Village-owned Enterprises's performance. Meanwhile, Ishak & Syam's research (2020) states that information technology has a positive and significant effect on the quality of financial reports. Research related to information technology and information systems provides different results on the performance and quality of work. Priharjanto, et.al. (2022) stated that information technology affects Village-owned Enterprises's performance but not significantly. Meanwhile, Riza (2022) states that the accounting information system has a significant positive effect on the quality of financial statement.

Factors that also affect organizational performance are innovation. Innovation is the activity of creating something new or improving what already exists. Research related to the relationship between innovation and performance, among others, was carried out by Satwika & Dewi (2018) which stated that innovation has a positive effect on business performance. While other research that discusses innovation is research by Nasir (2017) which states that product innovation affects marketing performance. This research was conducted on furniture companies in Pasuruan. Meanwhile, Hendriyanto (2015) stated that innovation has a significant positive effect on the performance of MSMEs. Hamali (2014) states that product innovation, process innovation, marketing innovation, and organizational innovation have a significant positive effect on business performance.

Referring to the results of previous organizational performance studies, researchers tried to make modifications to the research framework and locus. The locus of this research is the Village-owned Enterprises. This research framework modifies exogenous variables and intervening variables. The exogenous variables used in this research are human resources competence and information technology and innovation as intervening variables. The endogenous variables used are the innovation and Village-owned Enterprises's performance. This research seeks to prove statistically whether human resources competencies, information technology, and innovation affect the Village-owned Enterprises's performance. Research that is almost similar to this research but there are differences in the exogenous variables is the research conducted by Darmaileny, Adriani, & Fitriaty in 2022 entitled "The Influence of Governance and Competence on Organizational Performance Mediated by Innovative Behavior in Village-Owned Enterprises (Village-owned Enterprises) in the West Tanjung Jabung Regency".

LITERATURE REVIEW

Village-owned Enterprises is an entity established by the village. Village-owned Enterprises capital coming from the village government and the community. The purpose of establishing a Village-owned Enterprises is to improve the welfare of the village community through increasing business and the village economy. Village-owned Enterprises has a very strategic role in achieving national goals, namely community welfare. In more detail, Village-owned Enterprises has a role to

carry out economic activities and provide public services to the community. Economic activities can be carried out by creating Village-owned Enterprises business units. These units will drive the village economy, either directly or indirectly. In addition to carrying out economic activities, Village-owned Enterprises is also required to provide public services needed by the surrounding community, such as electricity payment services, clean water supply, tax payments, and other services. In carrying out its activities, Village-owned Enterprises must pay attention to village potential. Village-owned Enterprises as a business entity is required to be able to gain profits in its management. Part of the Village-owned Enterprises profits will become the village's original income (PADes) through a profit-sharing mechanism. In addition to obtaining profits.

Village-owned Enterprises Performance

Performance or work achievement is something that is achieved, or achievements obtained. Meanwhile, Mangkunegara (2005) states that performance or job performance is an achievement or result of work. Thus, performance is the result of both quality and quantity work achieved by a person/institution in the context of carrying out their duties. Performance can be viewed from two sides. First, individual performance which is related to the work performance of each employee. Second, organizational performance, namely the level of organizational achievement in realizing the organization's vision, mission and goals (Bastian, 2001).

Organizational performance is the overall work performance achieved by the organization. Thus, the performance of the organization can be interpreted as how much the goals of the organization can be achieved. Sobandi (2006) state organizational performance as the achievements that have been made by the organizatio. Furthermore, organizational performance is expressed as the output of the activities or activities carried out by the organization on the management of the organization's resources. Performance is also the output of organizational activities or activities in achieving goals.

Organizational performance can be defined as an illustration of the achievement of carrying out tasks carried out by the resources owned by the organization or institution. In line with this, the Village-owned Enterprises's performance can be interpreted as how Village-owned Enterprises can realize its founding ideals. In PP 11 of 2021, the objectives of Village-owned Enterprises are (1) carrying out economic activities by running a profitable business and carrying out investments by taking into account village potential and productivity, (b) carry out public services and manage village barns to ensure food availability, (c) looking for profits to be shared with the village, (d) improve management of village assets, and (e) developing a digital economic ecosystem.

Referring to these objectives, in this study organizational performance is measured based on how Village-owned Enterprises can fulfil these objectives. Organizational performance in general is influenced by 3 (three) factors, namely organizational capacity, organizational motivation, and the external environment. In general, the factors that affect organizational performance can be seen in Figure 2.

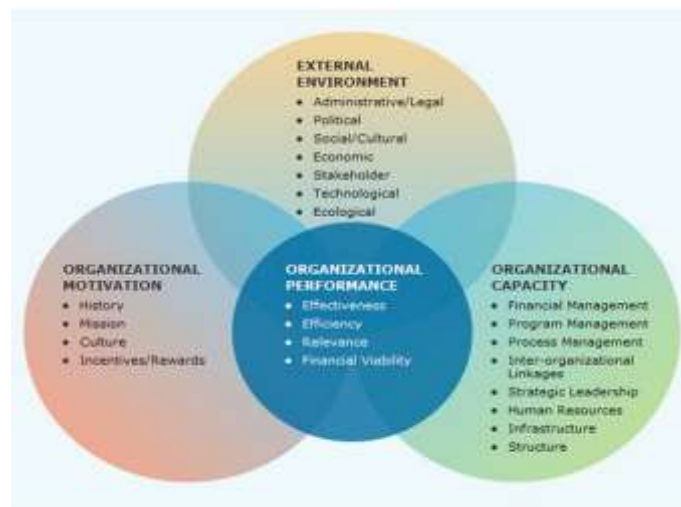


Figure 2. Organizational Performance
Source: memenangkan.com

Human Resources Competence

Human Resources is the prime mover and motor of an organization. Human resources has a very important role in the organization. The success of the organization will be largely determined by the quality and competence of human resources. Competent human resources will be able to carry out their duties and responsibilities in a professional, effective, and efficient manner. Utami & Mayasari (2021) state that human resources competence affects performance. Furthermore, Khamisi (2022) states that Resources is the prime mover and motor of an organization. Human resources has a very important competencies affect the Village-owned Enterprises's performance management.

Darmaileny, Adriani, & Fitriaty (2022) stated that governance and competence have a positive and significant influence on Village-owned Enterprises performance, both directly and indirectly through innovative behavior as an intervening variable. This explains that the better governance and competencies possessed by Village-owned Enterprises management will affect the innovative behavior of administrators in managing Village-owned Enterprises, which will have an impact on the better performance of Village-Owned Enterprises. Sihabudin (2019) states that managerial competence has a significant positive effect on the financial Village-owned Enterprises's performance. It was further stated that managerial competence has the greatest contribution compared to other variables such as entrepreneurial spirit and partnerships.

Ishak & Syam's research (2020) gives the result that competence has a positive and significant effect on the quality of financial reports. This research is not specific to the Village-owned Enterprises's performance but rather to the quality of the financial reports it produces. However, the quality of financial reports is also the Village-owned Enterprises's performance. Khoirunisa & Khoiriawati (2022) state that competence influences the quality of financial reports. Furthermore, Novia & Sujana (2021) state that human resources competence has a significant positive effect on the quality of financial reports produced by Village-owned Enterprises. Siregar (2019) states that competence, self-efficacy, and commitment influence the innovative work behavior of apparatus. Solihin (2019) states that there is an influence of manager competence and entrepreneurial spirit on innovation.

Information Technology

Information technology is defined as the use of technology to process and distribute data and information in the form of digital data and information. Thus, information technology can be interpreted as the use of technological media to manage and distribute information needed by an entity. The rapid development of information technology has an impact on all aspects of life, including the management of Village-owned Enterprises. Both directly and indirectly, information technology that is developing in the community will affect business processes in general, as well as Village-owned Enterprises. Village-owned Enterprises is required to be able to take advantage of existing information technology for the management of Village-owned Enterprises.

Permana (2020) states that information technology has a significant effect on the Village-owned Enterprises's performance. Sukartini and Dewi (2019) state that the use of information technology has a positive and significant effect on the quality of financial reports. Ishak and Syam (2020) state that the use of accounting information technology partially has a significant and positive effect on the quality of financial reports.

Aminudin (2020) states that positively and significantly information technology and internal control have an impact on employee performance at Village-owned Enterprises. This means that the information technology used by Village-owned Enterprises has a significant positive influence on the Village-owned Enterprises's performance. Village-owned Enterprises uses information technology for various things such as administration and marketing. The more use of technology will provide better performance.

Information technology encourages Village-owned Enterprises to innovate. Ilham (2018) stated that innovation positively and significantly affects the performance of MSMEs. In the era of VUCA (Volatility, Uncertainty, Complexity, Ambiguity) every organization is required to be able to adapt quickly. The world changes rapidly and is unpredictable so the business world, including Village-owned Enterprises, is also expected to be able to adjust quickly. The use of information

technology helps the business world to be able to quickly prepare data and information for business analysis purposes.

In this study, the use of information technology was measured by whether Village-owned Enterprises uses information technology for business management activities such as using applications for accounting and using other technologies such as social media for promotion and marketing.

Innovation

Innovation according to the Big Indonesian Dictionary is defined as renewal. The emergence of something (activities/products) that is new is the result of innovation activities. Innovation will drive better performance. Research by Astarina et. al. (2021) states that innovation and motivation are needed to turn Beringin Prosperous Village-Owned Enterprises of Sungai Beringin Village into an advanced and useful Village-Owned Enterprise. This means that Village-owned Enterprises managers need to continuously innovate so that the Village-owned Enterprises they manage becomes more and more advanced.

Village-owned Enterprises managers can innovate together with the community to continue to be able to provide ideas and ideas to create new products or services. Community participation is highly expected in providing ideas and ideas either through village meetings or through other established channels. The rapid development of technology encourages Village-owned Enterprises to continuously innovate. The rapid development of technology is impossible to avoid so we are required to be able to use this opportunity to improve the Village-owned Enterprises's performance.

Research Framework and Hypotheses

Based on the description above, the researcher developed a research framework as shown in Figure 2.

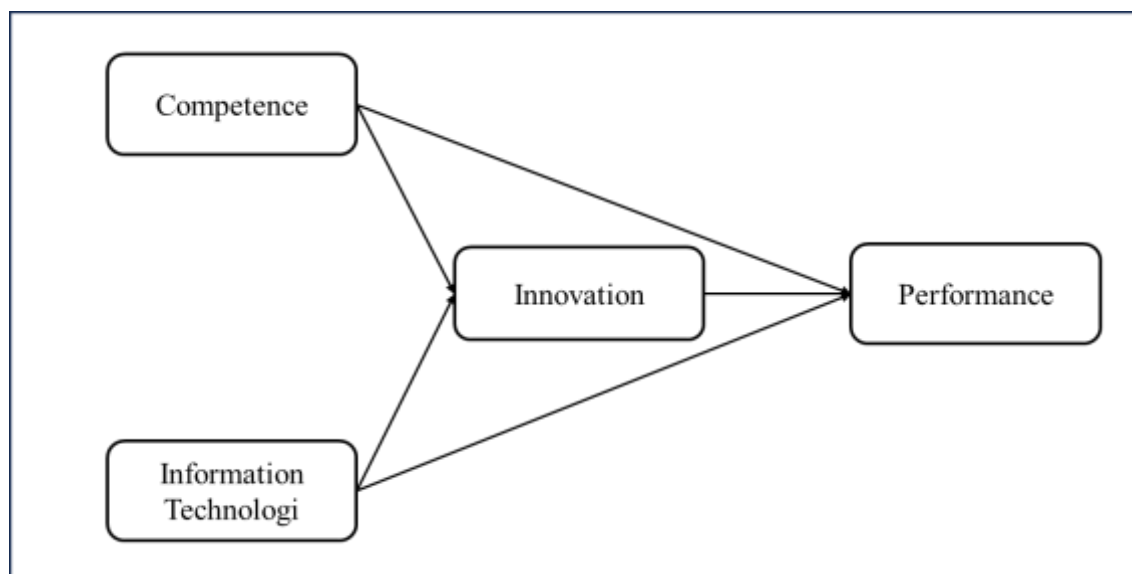


Figure 2. Research Framework

The hypothesis that researchers developed as follows:

- H1: Competence has a positive and significant effect on Village-owned Enterprises Performance.
- H2: Competence has a positive and significant effect on innovation.
- H3: Information Technology has a positive and significant effect on Village-owned Enterprises Performance.
- H4: Information technology has a positive and significant effect on innovation.
- H5: Innovation has a positive and significant effect on Village-owned Enterprises Performance.
- H6: Competence and Information Technology together have a significant positive effect on Village-owned Enterprises performance through innovation.

METHOD

Types of research

This research is causal quantitative research that seeks to explain the relationship between exogenous variables (HR competence and information technology) and endogenous variables (innovation and Village-owned Enterprises's performance). Sugiyono (2016) states that causal quantitative research is research that has the aim of knowing the relationship between variables. A causal relationship is a relationship that describes the causes and effects of the independent/exogenous variables on the dependent/endogenous variables. This study seeks to build a framework for explaining, estimating, and controlling a phenomenon. This research seeks to explain the relationship between human resources competence and information technology to innovation and the relationship between the three on the Village-owned Enterprises's performance.

Method of Collecting Data

Data obtained through questionnaires. Questionnaires were distributed to Village-owned Enterprises managers in the East Java Region online via the Indonesian Village-owned Enterprises Forum Whatsapp Group East Java Region from August to September 2022. The respondents in this study were Village-owned Enterprises managers. The number of respondents are 59 respondents.

The questionnaire in this study was divided into two groups: (1) the demographic part of the respondents, which contained data including name, gender, education level, age, and length of work at the Village-owned Enterprises, and (2) the second part which contained questions related to the respondents' perceptions of the variables studied, both exogenous and endogenous variables.

Data analysis method

This research is quantitative research with analysis using SEM-PLS (Structured Equation Model Partial Least Square). Data processing using SMART PLS 4. The use of PLS-SEM in this study was carried out because there are several advantages and conveniences offered by the PLS-SEM model, including (1) there is a leeway in data normality so that the processed data does not have to meet normality requirements (2) PLS-SEM can be used for relatively small data samples. Chin and Newsted (1999) can prove that only 20 PLS-SEM data can provide correct conclusions.

To ensure that the measurement tools used are valid and reliable, a measurement model test is carried out with convergent validity tests and discriminant validity tests. Convergent validity test was carried out by loading factor and average variance extract (AVE). While the discriminant validity test was carried out using the Fornell Larcker Criterion or HTMT and Cross Loading. While the reliability test was carried out with Cronbach's Alpha and composite reliability. The structural model test is carried out using the Inner Model.

RESULTS

Respondents in this study totaled 59 people who were Village-owned Enterprises managers in East Java. Most of the respondents were Directors of Village-owned Enterprises, namely 35 people or 59%. Furthermore, the Secretary of the Village-owned Enterprises is 20%, the Treasurer of the Village-owned Enterprises is 14% and Other Employees are 7%. The detailed composition of the respondent's positions can be seen in Table 1.

Tabel 1. Respondent's Position

Position	Amount	Percentage
Director	35	59%
Secretary	12	20%
Treasurer	8	14%
Staff/employees	4	7%
Total	59	100,00%

Note: The sources are from SMART PLS versi 4

Validity test is done first to ensure the indicators used are valid. The validity test carried out in this study was a convergent validity test and a discriminant validity test. Convergent validity testing is carried out by looking at the value of the factor loading coefficient of each meter.

According to Haryono (2017) the loading factor describes the magnitude of the relationship between the indicator and the construct. The ideal value for the loading factor is ≥ 0.7 . Ghozali (2018), states that if the loading factor is greater than 0.7 then there is a good correlation and meets good convergent validity. Based on these procedures and criteria, the elimination of measuring items that have a value below 0.7 is carried out until there are no more measuring items with a loading factor below 0.7. The final results of the validity test can be seen in Figure 3.

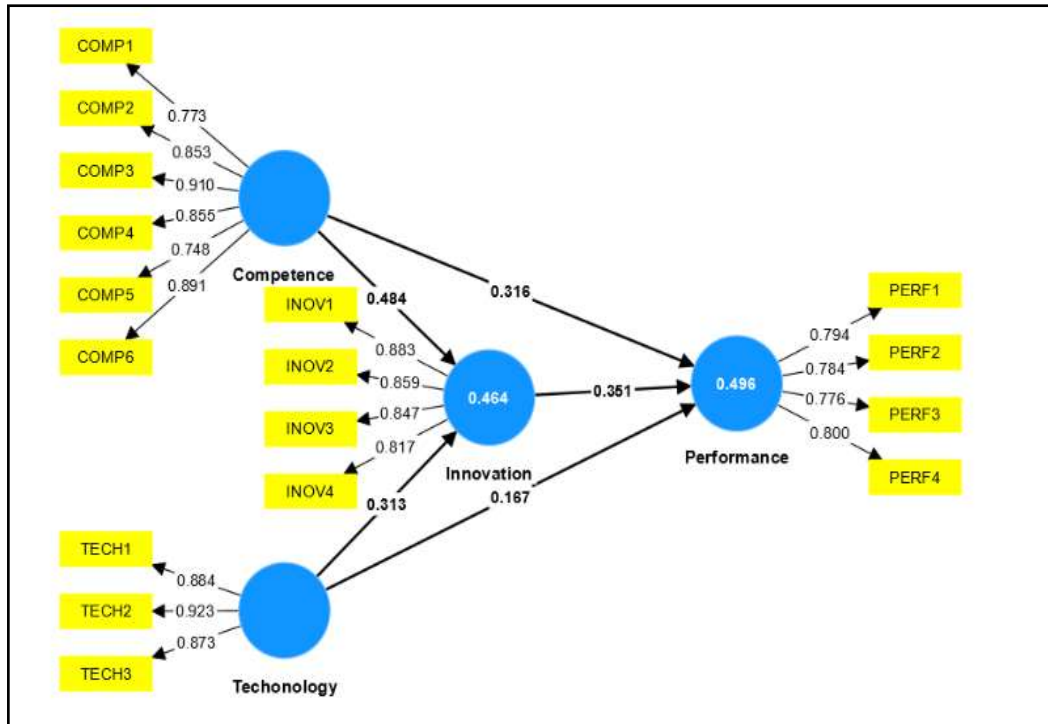


Figure 3. Validity Test Results

Based on Figure 3, it can be concluded that the final results of the validity test show that all measuring items are valid for measuring latent variables. All measuring items have a value above 0.7.

A discriminant validity test was performed with the Fornell-Larcker criterion and cross-loading. A discriminant validity test is done by comparing the coefficient values contained in the cross-loading table. Discriminant validity is considered good if the construct correlation value with the measurement items is greater than the other construct values (Ghozali, 2018: 25). The results of the Fornell-Larcker criterion test can be seen in Table 2.

Table 2. Discriminant Validity Test Results

	Competence	Innovation	Performance	Technology
Competence	0.840			
Innovation	0.620	0.852		
Performance	0.606	0.635	0.789	
Technology	0.434	0.523	0.488	0.894

Note: The sources are from SMART PLS versi 4

Based on table 2, all the correlation values of the variables with the variable itself (innovation with innovation of 0.852) are greater than the correlations of these latent variables with other latent variables. Thus, it can be said that the gauge used in general is valid.

Reliability testing was carried out with Cronbach's alpha and Composite reliability. Reliability testing with Cronbach's alpha tends to produce relatively lower values (underestimates) so it needs to be supplemented with composite reliability (Ghozali & Latan, 2016). Table 3 consist of the results of the reliability test.

Table 3. Cronbach's Alpha & Composite Reliability Results

	Cronbach's alpha	Composite reliability
Competence	0.916	0.922
Innovation	0.874	0.875
Performance	0.800	0.807
Technology	0.876	0.896

Note: The sources are from SMART PLS versi 4

On Table 3, shows that Cronbach's Alpha and Composite Reliability values are all above 0.7 so it can be concluded that all constructs have good reliability.

Inner model testing is used to see the relationship between latent variables. Jogiyanto & Abdillah (2015) stated that to predict causal relationships between latent variables or hypothesis testing, structural model testing can be used. Inner model testing uses: (1) R-Square, (2) Fit Model, (3) T-Statistics and (4) Path Coefficient. The R-Square test is intended to see the coefficient of determination, namely, to show how much the level of determination or influence of exogenous latent variables on endogenous latent variables is. The higher the R-Square value, the stronger the determination. The R-Square and R-Square Adjusted test results can be seen in Table 4.

Table 4. R² dan R² Adjusted Results

	R-square	R-square adjusted
Innovation	0.464	0.444
Performance	0.496	0.469

Note: The sources are from SMART PLS versi 4

Based on Table 4, innovation has an adjusted R-Square value of 0.444 or 44.4%, so it can be stated that the influence of competence of human resources and information technology in the model is 44.4%, while the remaining 55.6% is influenced by other latent variables. While performance has an adjusted R-Square value of 0.469 or 46.9%, thus it can be said that the performance variable is influenced by competence, information technology and innovation by 46.9% and by 53.1% it is influenced by other variables.

The value of the Fit Model in SMART PLS can be seen from the NFI value, the greater the NFI value, the more suitable the model is used to predict the relationship of exogenous variables with endogenous variables. The results of testing the Fit model can be seen in Table 5.

Table 5. Model Fit Test

	Saturated model	Estimated model
SRMR	0.100	0.100
d_ULS	1.515	1.515
d_G	0.816	0.816
Chi-square	247.576	247.576
NFI	0.695	0.695

Note: The sources are from SMART PLS versi 4

The Fit Model can be seen from the NFI value. The test results show that the NFI value is 0.695 or 69.5%, meaning that the model can be used to predict the endogenous variable is 69.5%. Statistically this model is good. The T-Statistics test or significance test is then carried out with the aim of seeing whether the exogenous latent variable has a significant effect on the endogenous variable. A variable is said to have a significant influence if $t_{count} > t_{table}$ or p-value is smaller than the standard error. Social research usually uses a confidence level of 95% or a standard error of 5% (0.05). This research uses a confidence level of 95% (standard error 5%), where exogenous variables are considered to have a significant effect on endogenous variables if the p-value is < 0.05 , and vice versa. Table 6 presents the complete results of the T-statistic and p-value tests.

Table 6. T-Statistic and P-Value Results

	T-Statistics	P values
Competence -> Innovation	4.807	0.000
Competence -> Performance	2.708	0.007
Innovation -> Performance	2.556	0.011
Techonology -> Innovation	2.953	0.003
Techonology -> Performance	1.242	0.214

Note: The sources are from SMART PLS versi 4

Based on Table 6, almost all p-values are below 0.05 except for the p-value between technology and performance, which is above 0.05, which means that information technology has no significant effect on the performance. The output from SMART PLS can be seen in Figure 4.

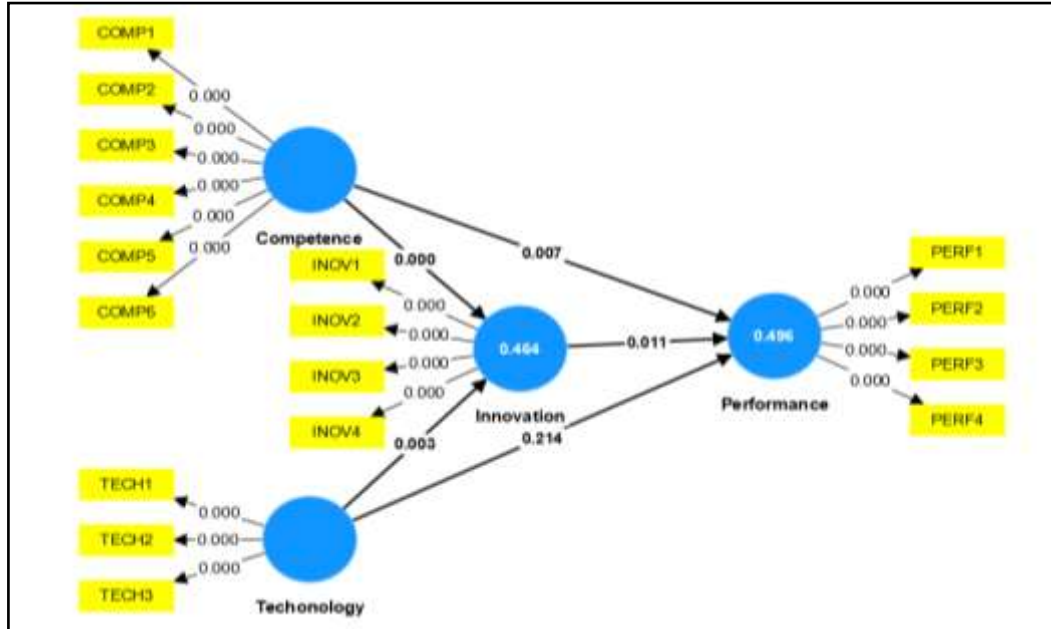


Figure 4. Significance Test Results

The next step is to find out the direction of influence of the exogenous latent variable on the endogenous variable, whether positive or negative, namely by conducting a path coefficient test. The path coefficient value ranges from -1 to +1. The opposite direction is marked with minus (-) while the same direction is marked with plus (+). If the value shown is close to 1 (-1/+1), then the effect is stronger. Table 7 presents the path test results.

Table 7: Path Coefficient Value

	Path Coefficients
Competence -> Innovation	0.484
Competence -> Performance	0.316
Innovation -> Performance	0.351
Techonology -> Innovation	0.313
Techonology -> Performance	0.167

Note: The sources are from SMART PLS versi 4

DISCUSSION

H1: Competence has a positive and significant effect on Village-owned Enterprises Performance.

The first hypothesis which states that competence has a significant positive effect on Village-owned Enterprises Performance is acceptable and can be proven. The statistical test results show a p-value of 0.007 which means it is still below 0.05 so that the hypothesis can be accepted. The value of the competence path coefficient on performance is +0.316, which means that the relationship is unidirectional or positive. These results are also in line with research by Utami & Mayasari (2021), Khamsi (2022), Darmaileny, Adriani, & Fitriaty (2022), and Sihabudin (2019) which state that competence has a positive and significant effect. Human resources competence is one of the factors that influence performance so this needs attention in the management of Village-owned Enterprises. The higher the competence of the human resources managers of Village-owned Enterprises will have an impact on the better performance of the Village-owned Enterprises. Village-owned Enterprises must have competent human resources to be able to obtain even better performance. Continuous human resources competence improvement is something that must be done if Village-owned Enterprises wants better performance. Village-owned Enterprises can improve human resources competencies through various means, such as education and training.

H2: Competence has a positive and significant effect on innovation.

The second hypothesis which states that competence has a significant positive effect on innovation is also proven. The p-value for this is 0.000 and the path coefficient shows a value of +0.484 which means it is + (positive). It can be concluded that human resources competency influences innovation positively and significantly. Human resources competence will encourage Village-owned Enterprises to innovate. The higher the competence of human resources, the higher the innovation of Village-owned Enterprises will be. This result is in line with research conducted by Siregar (2019) and Solihin (2019) which states that there is an influence of competence on innovation. Competent human resources can provide ideas and ideas for continuous innovation in the management of Village-owned Enterprises. Innovation in the management of Village-owned Enterprises can continue to be carried out in planning, process, product, and marketing. In general, it can be stated that competent human resources will affect the level of innovation carried out by Village-owned Enterprises. Thus, if Village-owned Enterprises wants to innovate better, better human resources competencies are needed.

H3: Information Technology has a positive and significant effect on Village-owned Enterprises Performance.

The third hypothesis which states that information technology has a significant positive effect on the Village-owned Enterprises' performance is not proven. The p-value is greater than 0.05, which is 0.214 so statistically information technology does not significantly affect the performance of the Village-owned Enterprises. However, the direction of the relationship is positive, with value of +0.167. The results of this study are slightly different from previous studies which state that information technology has a significant positive effect on performance. This difference in results

is explained because the research was conducted at Village-owned Enterprises in the East Java region where most of the Village-owned Enterprises who were respondents had not used information technology optimally. The use of information technology when this research was conducted was mostly just for website creation and communication via social media. Information technology has not been used en masse to assist in carrying out tasks and administration through systems and applications. Some Village-owned Enterprises already use Excel-based applications for accounting, but in general, the implementation of activities is still done manually which is computerized. Thus, the use of information technology by Village-owned Enterprises is still not optimal, so information technology does not significantly affect the Village-owned Enterprises's performance.

H4: Information technology has a positive and significant effect on innovation.

The fourth hypothesis which states that information technology has a significant positive effect on innovation is proven. This can be seen from the p-value, which is smaller than 0.05, namely 0.003. The value of the information technology path coefficient on innovation is +0.313, which means that the relationship is unidirectional or positive. This means that information technology will influence innovation in Village-owned Enterprises. The use of information technology encourages innovation by Village-owned Enterprises. The higher the use of information technology in Village-owned Enterprises, the higher the level of innovation carried out. These results are in line with research by Darmaileny, Adriani, & Fitriaty (2022) which states that information technology affects innovation. Romadhon (2019) which states that information technology and entrepreneurship affect innovation.

H5: Innovation has a positive and significant effect on Village-owned Enterprises Performance.

The fifth hypothesis which states that innovation has a significant positive effect on Village-owned Enterprises Performance is proven. This can be seen from the p-value, which is smaller than 0.05, namely 0.011. The value of the innovation path coefficient on performance is +0.351, which means that the relationship is unidirectional or positive. Innovations of Village-owned Enterprises will improve the Village-owned Enterprises's performance.

H6: Competence and Information Technology together have a significant positive effect on Village-owned Enterprises performance through innovation.

The sixth hypothesis which states that competence and information technology together have a significant positive effect on Village-owned Enterprises Performance through innovation is proven. These can be seen from the p-value, which are smaller than 0.05. Apart from that, the data processing results show that all path coefficient values in the model are positive, so it can be stated that the relationship between exogenous and endogenous variables is unidirectional. Together human resources competencies and information technology affect the Village-owned Enterprises's performance through innovation. The use of technology is intended to create innovations that will benefit the Village-owned Enterprises's performance.

CONCLUSION

This research aims to analyze whether human resource competence, information technology and innovation influence the performance of Village-Owned Enterprises. Based on the results of the data analysis, it can be conclude that human resources competencies are needed in the management of Village-owned Enterprises. Human resources competencies affect the Village-owned Enterprises's performance both directly and through innovation. Beside that, information technology used by Village-owned Enterprises significantly affects the Village-owned Enterprises's performance through innovation, but information technology it self does not directly affect the Village-owned Enterprises's performance. Mean while, innovation has a significant positive effect on the Village-owned Enterprises's performance. Referring to the research results, the researcher suggests several things to the Village-owned Enterprises manager so that the Village-owned Enterprises's performance can be improved as follows. First, in the management of Village-

owned Enterprises, Competencies are needed to encourage innovation and Village-owned Enterprises's performance. Second, Village-owned Enterprises should be able to innovate sustainable manner so that the Village-owned Enterprises's performance can be improved, especially in the VUCA era which is full of uncertainties and fast-paced changes. Third, take advantage of existing information technology and build innovations. Information technology is not only used for communication, online media, and the web but is developed in all lines to assist management in carrying out its functions.

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