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BUSINESS INCUBATION OF VIRGIN COCONUT OIL PRODUCTS AND COCONUT SHELL HANDICRAFTS IN JAMBI PROVINCE TO REALIZE A GREEN-BASED PEAT CARE INDEPENDENT VILLAGE ECONOMICS

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ABSTRACT

A business is an organized economic entity with economic and social goals. One of the goals of setting up a business is to make a profit, in the sense that all activities are aimed at making a profit. Another goal is social to assist the community in providing the necessary facilities and infrastructure. This paper will focus on Village-Owned Enterprises (BUMDES) in Jambi Province, Indonesia because it has interesting characteristics for further research. Jambi has great potential to develop BUMDES, especially in villages in Jambi, so that optimization can be done by encouraging good business in various villages in Jambi, especially in independent villages that care about a peat-based green economy. The villages that will be the scope of discussion in this study are Sungai Serendit Village, Sungai Pampang Village, Teluk Pulai Raya, Sungai Raya, Tanjung Pasir Village, Parit Atmuka Village. The five villages have the potential to be managed properly in terms of their BUMDES so that they can become independent villages that care about peat. The business incubation discussed in this study focuses on Virgin Coconut Oil and Coconut Shell Handicraft products. This research uses qualitative research methods. This research found that there are fundamental business problems in the management of BUMDES in several villages in Jambi that are included in this study. To solve such an underlying problem, business incubation using BMC is required. In addition, there are also strategies that can be used, including BUMDES institutional training, identification of community problems that can be assisted by BUMDES (for example, commodity distribution can be assisted by BUMDES, and marketing of processed community products).

KEY WORDS

BUMDES, incubation business, green economy.

National development is an effort to improve the quality of people and Indonesian society which is carried out in a sustainable manner and based on national capabilities by utilizing advances in technology and science. National development includes aspects of national and state life carried out by the government and society. The main actors of development are the people, while the government has an obligation to direct and protect and build a conducive, safe and peaceful climate to support national development.

A business is an organized economic entity with an economic and social cave. One of the goals of setting up a business is to make a profit, in the sense that all activities are aimed at making a profit. Another goal is social to assist the community in providing the necessary facilities and infrastructure. There are also those that are established with the aim of doing both, meaning that in addition to making profits they also provide social services. The rapid development of globalization now forces business people to forget another purpose of business itself, namely social goals.

This paper will focus on Village-Owned Enterprises (BUMDES) in Jambi Province, Indonesia because it has interesting characteristics for further research. To carry out national development in the smallest unit of the area called a village, efforts are needed to achieve the welfare of the community's village by exploring existing sources of Village Original Opinion (PADes). In Jambi Province many BUMDES do not have good business legality, especially in registering business licenses and registering product brands. This is followed by



almost no financial management, making it difficult to build trust in raising capital, even at an individual or communal level.

The aspect of resources and knowledge is also a problem that is also related to the quality standards of the products produced. This obstacle can be overcome by actively helping BUMDES to increase the knowledge of BUMDES managers and improve product development. Improving product quality standards will increase market access to Jambi MSME products in the international market, considering that Jambi Province is very close to Malaysia and Singapore.

The fundamental difference between BUMDES in Province Jambi and BUMDES in other regions, especially in Java, is the limited transportation infrastructure, so transportation costs are very high and reduce product competitiveness. In addition, institutional synergy between BUMDES, government and private agencies in Jambi Province needs to be improved to expand market guarantees and marketing of MSME products in Jambi Province.

Jambi has great potential to develop BUMDES, especially in villages in Jambi, so that optimization can be done by encouraging good business in various villages in Jambi, especially in independent villages that care about peat based on green economy. This is because villages in Jambi have great potential to become business commodities, especially in the field of natural resources.

The villages that will be the scope of discussion in this study are Sungai Serindit Village, Sungai Pampang Village, Teluk Pulau Raya, Sungai Raya, Tanjung Pasir Village, Parit Atmuka Village. The five villages have the potential to be managed properly in terms of their BUMDES so that they can become independent villages that care about peat. The business incubation discussed in this study focuses on Virgin Coconut Oil and Coconut Shell Handicraft products.

The development of BUMDES in Jambi itself is greatly hampered by various conditions there, therefore it is very necessary to optimize the development of BUMDES, especially in villages in Jambi to achieve independent villages that care about peat based on a green economy. This can be implemented through business incubation to develop products found in villages in Jambi Province to achieve peat care independent villages. Therefore, this article will discuss more about business incubation and the development of peat-based independent village products based on the green economy.

METHODS OF RESEARCH

The approach used in this study is a qualitative approach. This means that the data and fact disclosure procedures that researchers use are non-statistical or nonmathematical.¹ Strauss and Corbin in Creswell, J 1998 cited by Rahmat explained that, qualitative research is research that produces discoveries that cannot be obtained using statistical procedures or other measurement or calculation methods.²

RESULTS AND DISCUSSION

Business Incubation is a new global economic demand, occurring due to rapid and significant changes in technology, telecommunications, and digitalization; deregulation and globalization. These changes force changes to every actor from the scale of countries, companies/organizations, and individuals. Business Incubation is the process of coaching small businesses and/ or developing new products carried out by business incubators in terms of providing business facilities and infrastructure, business development as well as management and supporting technology.

The concept of business incubation was born between the economic periods of classical and neoclassical capitalism. Classical capitalism according to Adam Smith (1776) is an economic system characterized by individual ownership of resources in order to create

¹ Moleong, Lexy J. (2006). *Qualitative Research Methodology*, Bandung, Rosda Karya Youth; Revised Edition.

² Pupu Saeful Rahmat, *Qualitative Research*, (Journal of Equilibrium Vol. 5, No. January 9th, 2009:1-8).



profits for themselves. This theory has individualistic tendencies without regard to relationships and integrations. Whereas the neoclassical view that the market consists of many buyers and sellers who integrate with each other thus creating the same formula of supply and demand or "equilibrium". This theory views the individual as part of a market economy system that always has to evolve and change to meet supply or demand. According to Harley (2010) a Business Incubator can be interpreted as an organization that systematizes processes to help grow and develop new companies proposed by participants/tenants by providing a comprehensive and integrated range of services, namely: 1) Incubator space, it can be offices, manufacturing, laboratories, or sales that are available flexibly, affordably, and temporarily; 2) Common room, facilities provided for tenants such as meeting rooms, reception lobbies and canteens; 3) General Services, such as secretarial support and joint use of office equipment; 4) Direct Counseling, intensive counseling helps and access to specialized assistance; 5) Assistance in finding and obtaining business financing or even providing various levels of financing for clients.

Business strategy and concept is a tool to achieve long-term goals. A company must strive to achieve competitive advantage in a sustainable manner, in the form of (1) continually adapting to change in external trends and internal capacities, capabilities and resources; and (2) effective planning, implementation and evaluation of strategies that play a large role.³ Knowing what a business incubator is should be accompanied by information about its advantages and disadvantages. A program certainly has both positive and negative sides in its implementation, as well as a business incubator. Some of the advantages and disadvantages of business incubators are, the advantage of a business incubator for creative ventures is the provision of space for growth. Both in terms of innovation and finance, startup businesses will be facilitated with access in developing ideas and capital.⁴ Experiential assistance is a convenient thing for the development of ideas, and investor connections are easier to obtain in the presence of a business incubator. In this process, the role of the business incubator is as a mentor and service provider for startup businesses to develop their innovations. The disadvantage is that applying for a business incubator program requires careful planning. In the process, startup businesses will get various debriefings professionally. Therefore, a business proposal must be carefully drawn up so that your business can pass and participate in the business incubator program.

There are several phases in the business incubator program. The way this business development program works consists of three stages. Novice business owners are expected to be able to go through each stage professionally so that the results of mentoring are clearly visible at the end of the program. The first stage is Pre-Incubation, which is the selection process. At this stage, some startups will follow the hiring procedure. Once recruited, a business will gain basic knowledge about starting a business. At this stage, the material starts from business theory, planning, marketing, to resource management. The second stage is Incubation, this stage itself is the material of the incubation resume from the pre-incubation. Here, targeted guidance on management, marketing, and finance will be provided, of which there are three phases present in this stage, the initial phase, production and determination of revenue based on sales. Phase development, production of commercial products and addition of profits, and then advanced phase, expanding marketing targets to increase revenue. Then in the third stage there is Post-Incubation which is the final stage of the business incubation program. At this stage, a novice business is already considered capable of running a business independently. However, the development of innovation and professional assistance of the incubator program itself can still continue.⁵

Systemically, business incubation is a vehicle for transforming the formation of human resources that are not or less creative and productive into human resources that have creative, innovative, productive and cooperative entrepreneurial motivation as the first step in

³ David, Fred R. (2011). *Strategic Strategic Management Concepts*, 12th Edition, Salemba Empat, Jakarta.

⁴ Chanda, A., & Silva, M.A.M. (2012). *Business Incubation in Chile Development, Financing and Financial Services*. *Journal of Technology Management and Innovation*, 7(2), 1-12.

⁵ Kalid, F.A., Gilbert, D., & Huq, A. (2014). *e way forward for business incubation process in ICT incubators in Malaysia*. *International Journal of Business and Society*, 15(3), 395-412.



creating entrepreneurs who have competitive and comparative advantages and have a clear vision and mission and future. Business incubation has various communities that integrate each other in operations and activities, namely: entrepreneurs, universities, financial institutions, business consultants, business legal advisors, the private sector, BUMN/BUMD, government through related technical agencies, and non-governmental organizations.

BUMDes is a village business institution managed by the community and the village government in an effort to strengthen the village economy and is formed based on the needs and potential of the village. According to Law Number 32 of 2004 concerning Regional Government, villages can establish business entities according to the potential and needs of the village. The role of BUMDes related to aspects of compliance with laws and regulations is considered to have implications for the economic independence of the community, especially in terms of the ability to process village potential in accordance with community needs. The management of BUMDes has been carried out in accordance with operational standards, financial reporting, services, shu distribution, interest determination and standard requirements for borrowing funds have been implemented in accordance with the provisions. However, despite these achievements, in its implementation there is still a public incomprehension of the purpose and purpose of the establishment of this BUMDes. BUMDes which are supposed to act as stimulants to develop self-help are already a place for a handful of people who expect grants from the government and think the funds do not need to be returned because they are grants from the government

The stability of BUMDes income is not always good, sometimes many problems arise along with its development, ranging from problems in the savings and loans program, to the actual BUMDes business. The large number of bad debts is also experienced by the majority of BUMDes, but considering that BUMDes carry a social mission from the government, there is no target for punctuality in returning business capital (loan funds) as in financial institutions in general. Customers here are not only customers who bring profits directly, but they can also be customers who are supporting the increase in revenue from the BUMDes.⁶

There was a poor public mindset, which led to a decrease in refund rates. Sometimes, there are also misunderstandings between the government and BUMDes managers, which cause various problems such as misuse of funds to funds lost for certain reasons. The mistake of Procedural must have been experienced by BUMDes due to the distribution of funds that were not on target, so that customers could not return the loan funds and as a result many programs could not develop and died halfway. A good BUM Des, must manage capital or assets well. That is, being able to take ownership of the capital or assets to get profits or profits from ongoing business activities. There are no more Village BUMs whose managers have the assumption that the loss of a business unit is okay.

The Guidebook for the Formation and Management of BUMDES (2007: 13) published by the Ministry of National Education states that there are 6 principles in managing Village-Owned Enterprises, firstly Cooperatives Have the meaning of cooperatives, namely for the sake of improvement and business continuity, all components contained in BUMDES must be able to work well together. The principle of cooperatives is important in the sustainability and business development of BUMDES. This means that it is participatory, that is, the success of the BUMDES business, all components involved in BUMDES must have participation and a voluntary attitude in providing support. The three definitions of Emancipatory are emancipatory, that is, all components contained in BUMDES must not discriminate against religions, tribes, and groups because all have the same rights. Fourth, Transparent means that it is carried out openly, that is, activities that involve the interests of the general public must be open and known by all elements of society. In running and managing BUMDES, those who are trusted as BUMDES managers must have openness in every activity, namely openness in making decisions and in conveying information. Fifth Accountable Means accountable, that is, clarity of functions, implementation and accountability of the organization. So that the activities or activities carried out by the BUMDES business unit must be accountable. The accountability in question is technical and

⁶Yohan Tirtayasa (2020). *Canvas Business Strategy in The Application of Local Credits in Bank BCA, Jakarta.*



administrative accountability. Finally, the sixth sustainable means that the business activities carried out must be able to be developed and preserved by the community in the BUMDES container. That is, the activity must be a sustainable business activity

The management of BUMDES requires a plan or stage so that BUMDES can operate for a long time and run well. Sarmidi (2020) in the Handbook of BUMDES Establishment and Management states that the stage in managing BUMDES is, the first stage is planning, at this stage the goal is to produce business entities that develop, develop, and can prosper rural communities. At this stage, BUMDES managers form an organization, the type of business to be managed, and create rules for running a business.⁷

The second stage is observation; things that must be considered include the long-term assets of the village that are considered worthy to run their business. After that, observe what BUMDES potentials can develop. The third stage is the arrangement of the BUMDES business type, at this stage if there is more than one type of business that is grouped first, after that the arrangement is carried out by making a business target to record profits in the business of the board of directors. The fourth stage is maintenance. At this stage maintenance is carried out so that BUMDES runs well. The characteristics of this type of business that are maintained are the safety of the type of business security and obtaining additional capital. The fifth stage is to create a result report. This stage is the last stage in the management of BUMDES. The report consists of income, expenses, and profits earned. And reports should be transparent so they can be acted upon and evaluated. So it is important for BUMDES to recruit management members, especially those who understand finance.

In general, the problem related to business in several villages in this study is that village-owned enterprises (BUMDES) have not optimized community products in these villages. In addition, the fundamental problems that occur in society include, among others, lack of knowledge and potential of human resources to create programs that benefit the community and take advantage of the existing potential. Currently, there are no BUMDES activities that aim to improve the welfare of the community, only around boat rental, renting party equipment, and selling stationery. As well as the lack of understanding of village officials on the function of BUMDES, so that the management of BUMDES is not optimal and is not oriented towards community welfare, where they only understand that the formation of BUMDES is only the fulfillment of the legal order.

In the field, it was also found that there were several other fundamental problems, such as production capital constraints, a small market share, for example, there was batik sold by the community but very few bought it, and there was no production place. BUMDES has also not utilized the potential of the village, either Coffee or Batik, but is only used as a business such as weddings and its single organ, as a result of which the nature of the income is seasonal, adjusting whether there is a wedding / celebration in the village or not.

It was also found that the villages studied, such as Tanjung Pasir Village, produced a number of agricultural and plantation commodities such as el nut, oil palm, and coconut at a lower selling price. So far, Tanjung Pasir Village has only relied on the sale of raw plantation products and has not had a business or plantation product processing industry. Plantation products are only sold to collectors, one of which is due to limited access to transportation and limited human resources. One of the economic potentials in Tanjung Pasir Village is a batik craftsman business that still has problems related to materials, tools, human resources, legality and marketing.⁸

A commodity that has the potential to become the village's superior product is coffee. Access to business funding has not been provided by the village, but some external parties have provided it. Business actors in the village have not implemented special waste treatment and have not carried out systematic bookkeeping. In general, the main obstacle faced by the people of Tanjung Pasir Village in terms of business is capital, while other

⁷ Sarmidi (2020), *Guidebook for the Establishment and Management of BUMDES*, Jakarta: Ministry of National Education.

⁸ Machado, A., da Silva, A., Borba, M., & Catapan, A. (2015). *Innovation Habitat: Sustainable possibilities for the society*. *International Journal of Innovation - IJI*, 3(2), 6775. doi: 10.5585/iji.v3i2.55



obstacles are related to fluctuations in the selling price of plantation commodities.

To achieve success in community empowerment, it is necessary to have an approach to empowerment (Sumaryadi, 2005), that is, this approach leads to humans but rather to strengthen community empowerment which is supported by the local potential forces of the community. Then there is the Development Approach, This approach aims to develop development projects to improve the capabilities, independence, and welfare of the community. Finally, there is the Empowerment Approach, an approach that sees poverty as the result of the political process and seeks to empower the people to overcome the helplessness of society

According to the Club du Sahel in Mikkelsen (In Miriam Budiardjo, 2004:31), there are several approaches to advancing community participation, firstly Passive approaches, training and information; It was an approach that assumed that external parties were more adept at knowledge, technology, skills, and resources. Such participation provides one-way, top-down communication between external parties and the community is vertical. Both Approaches to active participation; that is, it provides an opportunity for the community to interact more intensively with external officers, for example training and visits. Third Approaching participation with attachment; Communities or individuals are given the opportunity to develop, and given the option to be attached to an activity and take responsibility for that activity. Fourth approach with local participation, which is an approach by reflecting on development activities based on decisions taken by local communities.

Based on the findings of the research above, the authors chose the right incubation model to optimize the existing BUMDES business. The model chosen by the author is the Business Model Canvas (BMC). The popularity of the concept of a business model began in the 1990s and increased when the internet began to talk a lot about the context of business models in an enterprise and how the business environment changes. The concept of a business model is used as a general way to explain how companies interact with suppliers, partners, and customers, as well as to describe the reasons for how organizations create, deliver, and capture value.⁹

The book titled "Business Model Generation" (Osterwalder & Pigneur, 2010) creates a business model framework that is canvas-shaped and consists of nine interconnected boxes. These boxes contain key elements that describe how an organization creates value and benefits from its customers. The explanation of the nine boxes according to includes¹⁰: 1) Customer Segments are people who use the organization's services/products and those who contribute to providing income for the organization. Customer segmentation can also be sorted by behavior, age, profession, income, and geography; 2) Value Proposition is the uniqueness that determines why the product or service is worth choosing by the customer. It makes offers to solve customer problems and fulfill customer wishes as much as possible; 3) Channels, elements such as communication, distribution, and sales channels that state how an organization communicates with its customer segments and conveys its value proposition; 4) Customer Relationships, fostering relationships with customers, with the aim of acquiring new customers and retaining existing customers; 5) Revenue Streams or fund inflows that describe how an organization earns money from each customer segment. This flow of funds is what makes a company survive or survive; 6) Key Resources describe the most important assets that determine the success of business model operations, such as buildings, vehicles, intellectual property, and people; 7) Key Activities are activities that support the success of the business model in conveying its value proposition to customers.¹¹ Key Partnership, a business cooperation agreement that is initiated voluntarily between two or more companies to complete a specific project. This cooperation can lead to cost savings, reduce risks and acquire resources that the company does not have. The Cost Structure

⁹ Gunawan, M. F. (2016). *Canvas model of business planning as an alternative to carp farming business strategy (case study in Mitra Mina UKM, Sridadi Village, Kalirejo district, Central Lampung)*. Retrieved from [Http://digilib.unila.ac.id/21790/20/skripsi%20without%20bab%20discussion.pdf](http://digilib.unila.ac.id/21790/20/skripsi%20without%20bab%20discussion.pdf).

¹⁰ Wardhanie, A. Thing. (2017). *Business model textbook*. Surabaya: PT Revka petra media

¹¹ Peters, L., Rice, M., & Sundararajan, M. (2004). *e role of incubators in the entrepreneurial process*. *Journal of Technology Transfer*, 29(1), 83-91.



describes all the costs incurred as a result of operating this business model in order to realize the value proposition through appropriate and reliable channels, key resources, key activities.

Using the Business Model Canvas (BMC) can provide a rough sketch of a business idea and draw up a business plan without being verbose. The BMC explains the rational reasons for organizations to create, deliver, and capture value. It also provides access to effectively share business models with employees, investors, or partners. When an organization does not understand their business model, they will experience a great disruption in communication and goal making. To understand the business model, BMC is better than using a complete 40-page business plan, as it is more concise and saves time.

The right side of BMC focuses on customers (external), while the left side focuses on business (internal). Both external and internal factors are united with the Value Proposition, which is the exchange of value between the business and the customer/client. This instruction requires the designer to understand all aspects of the idea or organization. Designers must at least have general business knowledge, so that the BMC can be used and accessed by co-founders and employees. In addition, basic organizational, communication and teamwork skills are needed to effectively create a BMC. BMC is popular with entrepreneurs and intrapreneurs for business model innovation. Basically, in general, BMC provides three things, which is that there are 40 pages more money on traditional business plans. It's easier to change the model and try things (from a planning perspective) with something that's inside one page. Transparency, the team will more easily understand the business model and will be more likely to receive a vision when it is put on one page.

In addition, the reasons for using the BMC are as follows, and it is necessary to give a brief overview of the needs of a business idea . Using it can help us understand the business and go through the process of ideas and how to turn it into a business. BMC highlights how customer decisions can affect the use of business systems. Can make everyone clear about how the business will be lived.

The elements of the BMC provide a coherent view of the key drivers of the business. By understanding the elements in BMC, it will be easier to then use it when forming a business. The Value Proposition is the basis for any business/product. This is the basic concept of value exchange between a business and a customer/client. In general, the rate is exchanged for money when the problem is solved or the pain is reduced for the customer that the business does. Good question to ask when defining a business/product, what am I solving, why would someone want this problem solved, what are the motivators underlying this problem? The focus of product innovation in the Business Model Canvas lies in the Value proposition block, which is a focus on developing the values offered to its consumers. The product innovation strategy is chosen by the company without spending huge resources to increase the company's profits because the use of other business models is not supported by sufficient strength.¹²

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According to Osterwalder and Pigneur (2010) states that BMC is a tool for describing, visualizing, assessing and transforming business models. This BMC concept allows companies to describe and describe business models that are carried out simply according

¹² Anderson, B., & Al-Mubarak, H. (2012). e Gateway Innovation Center: Exploring key Elements of developing a business incubator. *World Journal of Entrepreneurship, Management and Sustainable Development*, 8(4), 2082-16. doi: 10.1108/20425961211276598



to the conditions of the company and generate new alternative strategies. The following is an analysis of the canvas business model of Virgin Coconut Oil and Coconut Shell Craft products.

With this model, it is hoped that business development products in BUMDES can be utilized optimally, so that they will have an impact on optimizing the welfare of the wider community.

CONCLUSION

From the discussion above, it was found that BUMDes play a role in supporting the economic independence of the village. The role of BUMDes related to service aspects has implications for village economic independence, the role of BUMDes related to accountability aspects has implications for increasing Village Original Income, the role of BUMDes related to aspects of improving living standards has implications for the growth and equalization of the village economy, and the role of BUMDes related to aspects of compliance with laws and regulations has implications for the ability to manage village potential, and there are fundamental business problems in the management of BUMDES in several villages in Jambi as included in this study. In general, people's legal awareness of the meaning, purpose and benefits of BUMDes is still not well and correctly understood. Knowledge and understanding that if all these needs can be met by local potential and resources, then the money in circulation will not come out, with demikain then the turnover of money in the domestic area will increase. It is in these circumstances that the level of well-being to some extent has the potential to be more easily improved.

To solve such an underlying problem, business incubation using BMC is necessary. In addition, there are also strategies that can be used, including BUMDES institutional training, identification of community problems that can be assisted by BUMDES (for example, commodity distribution can be assisted by BUMDES, and marketing of processed community products). In addition, some of the following aspects also need to be considered.

The role of Service, Profit and Sustainability related to operational standards that are still not good, it is necessary to improve the quality and quantity of administrative and management training for managers or administrators as well as supervision from parties at the Village Community Empowerment Agency (BPMD), in order to continue to create service standards that remain flexible but have firm and selective boundaries and are able to find the best solution from each case It occurs. The role of aspects of accountability and development of village assets related to the allocation of SHU to PADes which is still lacking, needs to be standardized, both in service, administration, and management in BUMDes, so that funds from other programs accommodated by BUMDes can be maintained and minimize asset losses. The role of aspects of improving living standards related to low interest, the ability and awareness of BUMDes managers and the public to focus on real sector business development and not only focus on the savings and loans sector, it is necessary to socialize the importance of entrepreneurial independence in the community and consult about business potential that can be run. In addition, intensive skills and entrepreneurship training can be carried out both in quantity and quality for administrators involved in BUMDes and the surrounding community in order to change the mindset of the working community to be more courageous in opening new businesses. The role of compliance with laws and regulations related to the rate of refund, BUMDes management must be wiser and able to choose priorities, so that no funds are wasted. For example, in the savings and loans sector, there needs to be standardization of requirements, priorities, procedures and regulations that must be made for prospective customers, as well as the need to choose prospective customers to get customers who really need business funds whose impact can anticipate the occurrence of bad debts. Furthermore, in addition to going through reporting procedures, it is necessary to increase the quantity and quality of direct supervision from the Village Community Empowerment Agency (BPMD) as well as the District Government, Regional Government, and Central Government so that procedures for handling bad debts are still carried out.



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