

Village-Owned Enterprises (BUMDES) are Legal Entities to Realize Independent Villages

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Abstract

This research aims to examine and analyze related to Village-Owned Enterprises (BUMDes) with legal entities to realize independent villages. The establishment of legal entity BUMDes is a strategic step in strengthening the rural economy and realizing independent villages. BUMDes plays the role of an economic entity managed by the village government and the community, with the aim of improving the welfare of residents through professional and sustainable management of local resource potential. The methods used include qualitative descriptive analysis with a case study approach in several villages that have succeeded in optimizing the potential of their villages through BUMDes. The results of the study show that optimizing village potential through BUMDes can improve the welfare of village communities, create jobs, support local economic growth and make the community's economic resilience that realizes independent villages. The problem that will be discussed in this study is how BUMDes are legal entities to realize independent villages. The research method used is a normative research method with a statute approach and a comparative approach and will be analyzed in a qualitative descriptive manner.

Keywords: Village-Owned Enterprises (BUMDes), Legal Entity, Independent Village

INTRODUCTION

Village development is one of the important pillars in an effort to achieve equitable progress throughout Indonesia. As a country where most of the area consists of rural areas, strengthening the village economy is a key strategy in reducing the social and economic gap between cities and villages. Villages have a lot of potential that can improve the economic quality of the community, but poor management often hinders the achievement of this potential. By addressing challenges such as limited access to technology, poor infrastructure, lack of training, and marketing issues, as well as implementing the right solutions, villages can optimize their potential to improve community well-being. Effective management of village potential will create jobs, increase income, and promote sustainable development, as well as ensure that villages can contribute significantly to national economic development. In this context, BUMDes have emerged as an important instrument that can move the wheels of the economy at the village level. BUMDes has a strategic role in strengthening the local economy. With the existence of BUMDes, villages can manage and develop their economic potential independently. Through various business units that are run, such as processing agricultural products, providing services, or managing natural resources, BUMDes contribute directly to increasing the income of village communities. In addition, the existence of BUMDes can create new jobs in the village, thereby reducing the unemployment rate and preventing excessive urbanization.

Article 87 of Law Number 3 of 2024 concerning the Second Amendment to Law Number 6 of 2014 concerning Villages (Village Law) explains that BUMDes was established on the initiative of the Village Government and the Village Consultative Body (BPD) based on village deliberations. Article 90 of the Village Law explains that BUMDes function as a village business institution that can run businesses in various sectors, both economic, social, and environmental. Each village has different potentials and resources. BUMDes functions as a forum to manage and optimize these resources. For example, a village rich in natural resources can develop agricultural, fishery, or tourism-based business units. Through BUMDes, the management of this potential can be carried out in a more structured and professional manner, so that the results obtained are more optimal and sustainable. In addition, BUMDes can also be a means to strengthen the identity and local wisdom of the village, which in

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turn increases the attractiveness of the village for tourists and investors. BUMDes plays an important role in encouraging village independence. By managing businesses independently, villages are no longer too dependent on assistance from the central or regional governments. The profits obtained from BUMDes can be used to finance various village development programs, such as infrastructure, education, health, and human resource capacity building. This not only accelerates the pace of village development, but also ensures that the development is in accordance with local needs and characteristics.

The establishment of BUMDes in Indonesia is regulated in Law Number 32 of 2004 concerning Regional Government. The establishment of BUMDes itself aims to explore and optimize the potential of rural businesses based on Village Law Number 6 of 2014, BUMDes is increasingly supported by Government Regulation Number 47 of 2015 which states that villages have the authority to manage BUMDes. The government reaffirmed its commitment to realizing rural economic independence through Government Regulation Number 11 of 2021 which changed the status of BUMDes to a legal entity. In the end, the existence of BUMDes has a direct impact on improving the welfare of village communities. With good business management, village and community income increases, which in turn improves the quality of life. BUMDes can also be a means to reduce economic disparities within villages, by involving various community groups, including marginalized groups, in productive economic activities. BUMDes is a vital instrument in encouraging sustainable and inclusive village development. Through strengthening the local economy, optimizing village resources, and increasing independence in development, BUMDes plays a major role in realizing a prosperous and independent village. Therefore, the development and management of BUMDes must continue to be supported and strengthened in order to provide the greatest benefits for the village community and national development as a whole by making BUMDes a legal entity will make it easier for the village government to find sources of funds and make it easier to expand its business. Based on the description above, the problem in this study is how BUMDes are legal entities to realize independent villages.

METHODOLOGY

The research method used is a normative research method, using a statute approach and a comparative approach related to legal entity BUMDes to realize an independent village and will be analyzed qualitatively descriptively. The statute approach is to examine matters related to legal principles, views and legal doctrines, and laws and regulations related to legal entity BUMDes to realize independent villages, with accurate data and can be held accountable for their truth, while the comparative approach or a comparative approach in the context of BUMDes can be used to understand how the concept of BUMDes in Indonesia can be compared with the model of village economic development or similar institutions in other countries. This approach helps identify strengths, weaknesses, and opportunities for improvement that can be adapted from the experiences of other countries. In addition, an in-depth examination of the legal facts is also carried out to then try to solve the problems that arise in the symptoms concerned.

RESULTS AND DISCUSSION

Village-Owned Enterprises in Relation to the Economic Resilience of Village Communities

Village communities have an important role in supporting national food security, natural resource management, and maintaining local wisdom and culture. However, it is still trapped in complex economic problems. These problems include low incomes, limited access to basic facilities, and dependence on sectors of the economy that are vulnerable to shocks. Poverty is still one of the main problems in many villages in Indonesia. Most rural communities depend on the agricultural sector, which often generates low and unstable incomes. Factors such as land limitations, low productivity, and fluctuations in agricultural commodity prices exacerbate this condition. Income disparities between rural and urban communities also exacerbate poverty, where access to economic, educational, and health opportunities is much more limited in villages. Most of the village community still depends on the agricultural sector as the main source of livelihood. However, the sector is particularly vulnerable to climate change, pest infestation, and market price fluctuations. Excessive dependence on the agricultural sector makes it difficult for rural communities to develop a more diverse and resilient economy. In

addition, the lack of access to modern technology and business capital limits farmers' ability to increase productivity and efficiency.

Poverty is one of the biggest challenges faced by rural communities. Although villages often have abundant natural resources, many rural communities continue to live below the poverty line. This condition not only affects the quality of life of individuals and families, but also weakens the overall economic resilience of the village. Economic resilience, which reflects a community's ability to cope with and recover from economic shocks, is greatly influenced by existing poverty levels. This essay will discuss the relationship between poverty and the economic resilience of rural communities, as well as how the two affect each other. Poverty is closely related to the economic resilience of the community. The economic resilience of rural communities refers to the ability of communities to survive and recover from economic shocks, such as financial crises, climate change, or natural disasters. Strong economic resilience allows villages to maintain social and economic stability despite facing challenges.

People living in poverty tend to be more vulnerable to economic shocks. For example, farmers who are below the poverty line do not have the financial reserves to deal with crop failure. As a result, they are more likely to fall into deeper poverty when facing a crisis. Poverty limits the ability of rural communities to invest in education, health, and technology that can increase economic productivity. Without this investment, it is difficult for village communities to increase their competitiveness and economic resilience. Villages in poverty often depend on external assistance, both from the government and private institutions. This dependence can reduce local initiatives to develop the village economy independently, so that the village's economic resilience remains weak. Poverty is often accompanied by high unemployment or half-unemployment rates in villages. This job instability reduces people's purchasing power and hinders village economic growth, which in turn weakens economic resilience. The relationship between poverty and economic resilience is mutually influencing. On the one hand, high poverty weakens the economic resilience of villages, because people do not have enough resources to deal with economic shocks. Village-Owned Enterprises is one of the important initiatives presented by the Indonesia government in order to improve the welfare and economic resilience of village communities. Formed based on Law Number 6 of 2014 concerning Villages, BUMDes functions as a village economic institution owned and managed by the village with the aim of improving the village economy and optimizing village assets for the welfare of the community. This essay will discuss the role of BUMDes in strengthening the economic resilience of rural communities and how these initiatives can be a key driver for sustainable development in rural areas. BUMDes functions as a driving force for the village economy by managing various businesses that aim to increase the income of the village and its community. Some of the main roles of BUMDes in the village economy include:

- a) **Local Economic Empowerment:** BUMDes provide opportunities for village communities to participate in economic activities that are in accordance with local potential. This can be the management of natural resources, agricultural products, handicrafts, or services related to the needs of the local community. Thus, BUMDes empowers the community to become active economic actors and not only depend on jobs in the formal sector.
- b) **Job Creation:** Through various business units run, BUMDes can create new jobs for villagers. This is crucial in reducing unemployment and preventing over-urbanization. With jobs in the village, people do not need to migrate to the city to find a livelihood, which can ultimately maintain social stability in the village.
- c) **Increasing Village Income:** BUMDes contribute directly to increasing village original income (PADes). The income obtained from the BUMDes business is used to finance the development of infrastructure, education, and health in the village. This indirectly improves the quality of life of the village community.

The economic resilience of rural communities is the ability of village communities to face and survive economic shocks, such as financial crises, natural disasters, and fluctuations in commodity prices. With the existence of BUMDes, villages can diversify their sources of income. For example, if agricultural products are unprofitable, other business units managed by BUMDes can be a support for the community's economy. This diversification is important to reduce the risk of dependence on only one sector of the economy. BUMDes often collaborate with various parties, including local governments, the private sector, and non-governmental institutions, to

develop their businesses. This collaboration strengthens local economic networks that can help rural communities access broader markets, new technologies, and funding. BUMDes also functions as a training center for village communities. Through training programs, village communities can improve their skills in business management, financial management, and marketing. This is important to increase the competitiveness of the village economy in the midst of global economic changes. BUMDes can function as a tool for economic risk management by building fund reserves from the profits generated. This fund can be used to overcome emergencies such as crop failures, natural disasters, or other urgent needs that can threaten the village's economic resilience. BUMDes has a vital role in strengthening the economic resilience of village communities. Through various businesses, BUMDes not only increases village income, but also significantly contributes to community empowerment, job creation, and village asset management. However, to maximize the potential of BUMDes, support from various parties, including the government, the private sector, and non-government institutions, as well as increasing management capacity and business capital, is needed. Thus, BUMDes can be the main pillar in realizing an independent, prosperous, and resilient village to economic shocks.

Village-Owned Enterprises with Legal Entities to Realize Independent Villages

Villages are the smallest units in the government structure that have a strategic role in national development. With the potential of abundant natural resources, villages should be able to develop an independent and sustainable economy. However, over the years, many villages in Indonesia have still relied on external assistance, both from the central government and from other parties. In an effort to overcome this dependence and encourage village independence, Village-Owned Enterprises with legal entities have emerged as an innovative and strategic solution. Legal entity BUMDes function as economic entities that are professionally managed by the village government and the community. The status of a legal entity provides a legal framework that allows BUMDes to carry out various economic activities, ranging from natural resource management, service provision, to other business activities that are in accordance with the potential and needs of the village. With a strong legal foundation, BUMDes can collaborate with the private sector, access financing, and ensure accountability in their business management. Article 1 of Government Regulation Number 11 of 2021 concerning Village-Owned Enterprises explains that it is a legal entity established by a village and/or has a village to manage businesses, utilize assets, develop investment and productivity, provide services, and/or provide other types of businesses for the welfare of the village community. BUMDes business is an activity in the field of economy and/or public services that is managed independently by BUMDes. BUMDes is used as a pillar of economic activities owned by the Village and has a function as a social institution and a commercial institution. Where in its social function BUMDes provides social services to the interests of the community and in its commercial function BUMDes aims to seek profits from services or the sale of its merchandise. The formation of BUMDes is very effective in maximizing all local potentials in an area/village, especially the development of Micro, Small and Medium Enterprises in order to boost the income of villages, institutions, and individuals as well as the absorption of labor. The establishment of this business entity is in order to change the state of the village economy so that it can speak at the national level. The BUMDes development strategy must be oriented to the global context through various important elements including management, finance, cooperation development, supervision, monitoring and evaluation.

The existence of legal entity BUMDes also encourages active community participation in village economic development. By being directly involved, the community has a strong sense of ownership of BUMDes, which in turn increases their commitment to maintaining and developing existing businesses. In addition, the profits obtained by BUMDes can be used to finance various village development programs, such as infrastructure, education, health, and other social services. A well-managed BUMDes can be the driving force of the village economy. By utilizing local potential optimally, BUMDes can increase village original income and create jobs for the community. Successful examples of BUMDes in various regions show that effective and efficient management can have a significant impact on the welfare of village communities. In addition, BUMDes also plays a role in reducing economic disparities between regions. With the existence of BUMDes, villages that were previously left behind can develop their local potential and compete economically with other regions. This is one of the important steps in efforts to equitably distribute development and alleviate poverty in rural areas. Despite having a lot of potential, the development of legal entity BUMDes cannot be separated from various

challenges. One of the main challenges is the limited managerial capacity. Many villages do not have human resources who are competent enough to manage BUMDes professionally. This often causes BUMDes to not be able to operate optimally, even experiencing losses. In addition, regulations that are not completely clear and government support is still limited are also obstacles in the development of BUMDes. More comprehensive regulations and greater support from the government are needed, both in the form of policies, funding, and coaching, so that BUMDes can develop properly.

Legal entity BUMDes is one of the main pillars in realizing sustainable independent villages. Through BUMDes, villages can optimize local potential, improve community welfare, and strengthen economic independence. However, to achieve this, joint efforts from various parties, including the government, the community, and the private sector are needed. Strengthening managerial capacity, increasing community participation, and better regulatory support are some of the important steps that need to be taken to ensure the success of legal entity BUMDes. With continuous commitment and hard work, villages in Indonesia can become independent, competitive, and sustainable, making a significant contribution to national development. Each village has a unique potential that can be optimized to improve the welfare of its people. This potential can be in the form of natural resources, culture, tourism, local crafts, as well as the skills and knowledge of village communities. This potential, if managed properly, can be a significant source of income for villages and encourage the achievement of independent villages.

BUMDes, as an economic institution owned and managed by villages, has a strategic role in optimizing the potential of villages. The first step that must be taken by BUMDes is to identify the potentials of the village that can be developed. This can be done through mapping the village's natural, cultural, and social resources. Once this potential is identified, BUMDes can design a business plan that makes the most of this potential. BUMDes can develop various business units that are in accordance with the local potential of the village. For example, if the village has great agricultural potential, BUMDes can manage the business of processing agricultural products or the provision of agricultural tools and services. If the village has tourism potential, BUMDes can develop homestays, tour guides, or local transportation businesses. The issuance of Law Number 11 of 2020 concerning Job Creation was accompanied by the birth of Government Regulation Number 11 of 2021 concerning BUMDes and Regulation of the Minister of Villages, Development of Disadvantaged Regions and Transmigration Number 3 of 2021 concerning Registration of Data Collection and Improvement of Fostering and Development and Procurement of Goods and or Services of BUMDes and BUMDes together became a new starting point for BUMDes in Indonesia to carry out the function of economic drivers in villages. The implementation is by changing the status of BUMDes to a business legal entity at the village or village level with the status of a BUMDes legal entity becoming more flexible in managing its business activities.

The status of a legal entity makes it easier for BUMDes to get access to capital. Then it can establish a limited liability company or PT or a limited liability company or CV as a business unit. BUMDes are regulated very differently from cooperatives that have already grown and developed in Indonesia. BUMDes is fully owned by the Village Government through the capital provided through the capital statement so that the portion of profits and utilization that will be provided by BUMDes to the Village government and the benefits of the community is larger. The position of BUMDes as a legal entity is equivalent to nationally-owned enterprises or SOEs at the national level and regional-owned enterprises or BUMDs at the regional level that have business certainty and have a positive impact on labor absorption. Therefore, with the status of BUMDes in Indonesia which has changed to a legal entity, it is hoped that it can increase labor absorption.

In many cases, BUMDes can also play a role in the development of economic infrastructure needed by villages, such as village markets, agricultural product storage facilities, or business service centers. This infrastructure is important to support the operations of businesses managed by BUMDes and village communities. Not all villages have qualified human resources to manage BUMDes professionally. The solution is to provide training and assistance for BUMDes administrators so that they have the necessary skills to manage their businesses effectively. Capital is often the main obstacle in business development in villages. BUMDes need to look for alternative sources of capital, such as partnerships with the private sector, assistance from the government, or community fundraising. Village products often have to compete with products from outside the village that

have more competitive quality and prices. To overcome this, BUMDes need to focus on improving product quality, innovation, and added value creation.

In East Africa, such as in Kenya and Uganda, there are Village Enterprises initiatives similar to BUMDes. Village Enterprises helps rural communities establish and manage small businesses by providing entrepreneurship training, access to capital, and business support. These businesses usually focus on agriculture, livestock, and handicrafts. The Village Enterprises model has proven effective in reducing poverty and increasing income in rural areas. However, the challenges faced include dependence on external support, market instability, and climate change affecting the agricultural sector. One of the strengths of this model is its participatory approach, which involves the community in every step of decision-making. South Korea is known as one of the countries with rapid economic development in recent decades. Although most of the country's development focus is on the industrial and technological sectors in urban areas, the South Korean government also pays special attention to the development of villages through various initiatives. The management of village potential by village governments in South Korea plays an important role in maintaining a balance between economic development in cities and villages, as well as in ensuring that villages are not left behind in the flow of modernization. This essay will discuss how village governments in South Korea manage local potential to support sustainable and inclusive development.

One of the keys to the success of village potential management in South Korea is the active participation of the community in the development process. The village government facilitates dialogue and cooperation between villagers, farmers, entrepreneurs, and other local institutions. One example of a successful policy is the New Village Movement or Saemaul Undong which was launched in the 1970s. The program aims to increase agricultural income, improve village infrastructure, and develop a spirit of togetherness among the residents of the village. The Saemaul Undong Program is an example where community participation is the main foundation, with villagers working together to build and improve infrastructure and develop joint ventures. In addition, the village government also provides training and education to increase community capacity in various fields, such as business management, agricultural technology, and tourism. This effort aims to empower the community to take an active role in the management and development of village potential, so that they are not only beneficiaries, but also the main actors in village development. The management of village potential through institutions such as BUMDes in various countries shows a variety of approaches adapted to the local context. The success of village potential management is highly dependent on managerial capacity, sustainable funding, a participatory approach, and a focus on local potential. By learning from the experience in other countries, BUMDes in Indonesia can continue to develop and play a more significant role in village economic development and poverty alleviation. Optimizing village potential by BUMDes is the key to realizing sustainable independent villages. By identifying and managing existing potentials, as well as developing productive businesses that involve the entire community, BUMDes can become the driving force of the village economy. Despite the various challenges that must be faced, with the right support from the government, the private sector, and the community itself, BUMDes can play an important role in improving the welfare and self-reliance of villages. An independent village will not only be able to meet its own basic needs, but will also become an important pillar in sustainable national development.

CONCLUSION

Based on the results of research related to Village-Owned Enterprises, legal entities are an important instrument in efforts to realize independent villages that are competitive and sustainable. The existence of legal entity BUMDes provides a strong legal framework to carry out economic activities in a professional, transparent, and accountable manner. This allows villages to optimize local potential, increase village original income (PAD), and create jobs for local communities. Indonesia can emulate South Korea in managing village potential by adopting an integrated and participatory approach. South Korea has successfully harnessed the potential of villages through programs such as Saemaul Undong, which emphasizes community empowerment, infrastructure development, and local economic diversification. Indonesia can learn from this success by focusing on the development of the agricultural sector, rural tourism, and sustainable management of natural resources. In addition, it is important to encourage active community participation in every stage of village

development, so that villages in Indonesia can develop into independent and sustainable economic centers, while maintaining their cultural identity and local wisdom. With the right adaptation to local conditions, Indonesia can improve the welfare of villages and strengthen the rural economy as a whole.

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