

## Ecosistence Of Village-Owned Enterprises (BUMDes) in The Perspective of Indonesian Economic Policy

Rosmiati

Universitas Islam Al-Azhar Mataram, Indonesia

E-mail: [rosmiati@unizar.ac.id](mailto:rosmiati@unizar.ac.id)

### Abstract

*In 1992, the Indonesian government launched the Village Unit Cooperative (KUD) initiative to develop rural economies through Law Number 25 of 1992 on Cooperatives. However, KUD faced various challenges that hindered its ability to achieve its goal of improving rural community welfare. Regulatory changes beginning with Law Number 22 of 1999 on Regional Government, followed by Law 32/2004, Law 23/2014, and Law 6/2014 on Villages, led to the establishment of Village-Owned Enterprises (BUMDes) as a new solution for rural economic development. This article explores the policy transformation from KUD to BUMDes and analyzes the effectiveness of the Job Creation Law and Government Regulation on BUMDes in strengthening BUMDes as a tool for village empowerment. The research methodology employed is a literature review encompassing legal documents, books, and scholarly articles. The findings reveal that the Job Creation Law and Government Regulation on BUMDes provide a more solid legal foundation for BUMDes by clarifying its legal status, defining its capital structure, and granting the authority to establish business units. The article also discusses relevant economic theories such as institutional theory, inclusive economic theory, and community-based development theory, as well as challenges and solutions in BUMDes development. Recommendations for BUMDes development include strengthening managerial capacity, improving access to capital, and devising business development strategies that focus on operational efficiency and community participation. The study concludes that BUMDes has significant potential to support local economic development and rural community welfare through more effective and participatory policies.*

**Keywords:** BUMDes, Rural Economy, Economic Policy, Village Development

### INTRODUCTIONS

In 1992, the Indonesian government launched an initiative to develop the rural economy by establishing Village Unit Cooperatives (KUD) as part of efforts to improve the welfare of communities at the village level. KUDs were established based on Law No. 25 of 1992 on Cooperatives to empower village communities and manage local potential to achieve shared prosperity. However, the journey of KUDs in practice has faced significant challenges, such as the inability to empower village communities and often being exploited by certain parties for personal gain (Sumsel. Pers, July 19, 2024). The failure of KUDs to fulfill their objectives reflects the need to evaluate and seek more effective alternative solutions in the context of rural economic development in Indonesia.

Following the reform era that began in the late 20th century, Indonesia entered a new period characterized by fundamental changes in local government structure. Law No. 22/1999 on Regional Government was the first step in providing the legal basis for regional autonomy,

authorizing provinces and districts/cities to regulate and manage their households. While Law 22/1999 paved the way for decentralization, its implementation still had weaknesses, particularly in local resource management and village autonomy. In response to these shortcomings, Law 32/2004 on Regional Government was issued to expand the scope of regional autonomy with an emphasis on more comprehensive decentralization and strengthening the role of villages in development management and governance.

Although Law 32/2004 brought improvements, implementing regional autonomy required further adjustments. Therefore, Law No. 23/2014 on Regional Government was issued as an update that clarified the authority boundaries between central and regional governments and strengthened regional autonomy. In this context, Law No. 6/2014 on Villages (Village Law) is an important milestone that provides a legal basis for more specific village development. The Village Law recognizes villages as government units with the rights and authority to manage local affairs independently, including in the economic sector, through establishing Village-Owned Enterprises (BUMDes).

As an implementation of the Village Law, the government issued several implementing regulations relevant to the development of BUMDes. Government Regulation No. 43/2014 on the Implementation of Law No. 6/2014 on Villages (PP 43/2014), Government Regulation No. 47/2015 on the Amendment of Government Regulation No. 43/2014 on the Implementation of Law No. 6/2014 on Villages (PP 47/2015), and Minister of Villages, Development of Disadvantaged Regions, and Transmigration Regulation No. 4/2015 on the Establishment, Management, and Dissolution of Village-Owned Enterprises (Permendes 4/2015) are some of the regulations that support the establishment, management, and supervision of BUMDes.

Amid the village development journey, Law No. 11/2020 on Job Creation (Job Creation Law) was presented to improve the existing regulations by affirming the legal position of BUMDes as legal entities and providing a more solid legal framework for the implementation of BUMDes activities (Article 117 of the Job Creation Law). This change is followed by Government Regulation No. 11/2021 on Village-Owned Enterprises (PP BUMDes) as a more specific implementing regulation to regulate BUMDes in a more detailed legal context.

Against this background, this article aims to examine the BUMDes ecosystem from the perspective of economic policy in Indonesia with a focus on how the regulatory change from KUD to BUMDes contributes to rural economic development. This research will discuss the policy transformation from KUD to BUMDes, analyze the effectiveness of the Job Creation Law and PP BUMDes in strengthening the position of BUMDes as a village empowerment tool, as well as strategies and challenges in the implementation of these policies to support local economic development and the welfare of rural communities.

## **METHODS**

The research method used in this study is a literature study, which relies on written sources to obtain information and data relevant to the research topic (Cawelti, 1961). In the legal analysis of BUMDes based on Law No. 11/2020 on Job Creation, the literature study effectively explores regulatory changes, understands their impacts, and offers solutions for BUMDes strengthening. The findings of this study have the potential to significantly impact

the future of BUMDes.

The research begins with identifying literature sources that include legal documents such as the Village Law and Job Creation Law and relevant government regulations such as PP 43/2014, PP 47/2015, PP 60/2014, and PP 11/2021 on BUMDes. In addition, law books, scientific articles, and research reports were also used. Furthermore, data and information from these sources were collected through downloading legal texts, accessing books and articles, and reviewing related documents. The next stage is literature review which involves in-depth reading, noting important points, and analyzing how the change from the Village Law to the Job Creation Law affects the legal position of BUMDes. Afterward, information was synthesized and analyzed to identify patterns of regulatory changes and their impact on BUMDes. Our research offers practical solutions to issues such as business cooperation and access to capital, providing hope for the potential positive impact of our work.

## **RESULTS AND DISCUSSIONS**

### **1. Brief History of BUMDES Policy**

Based on the 1945 Constitution, the establishment of BUMDes is implicitly based on Article 18 B paragraph (2), which states that the State recognizes and respects the unity of customary law communities and their traditional rights as long as they are still alive and by the development of society and the principles of the Unitary State of the Republic of Indonesia, which are regulated by law. Law Number 22 of 1999 concerning Regional Government is one of the first post-reform steps that provides a legal basis for regional autonomy. According to (Nardin, 2019) this law authorizes provinces and districts/cities to regulate and manage their households, marking a new era of regional autonomy in Indonesia. However, Law 22/1999 still has some weaknesses in its implementation, such as less detailed arrangements regarding village autonomy and local resource management. Subsequently, Law No. 32/2004 on Regional Government replaced Law 22/1999 and expanded the scope of regional autonomy. It emphasized more comprehensive decentralization and allowed villages better to manage their local potential (Hadi, 2021). Law 32/2004 introduced broader principles of autonomy, including strengthening the role of villages in development management and governance.

However, while Law 32/2004 brought many improvements, there was a need for further adjustments. Therefore, Law No. 23/2014 on Regional Government was issued as an update to Law 32/2004. Law 23/2014 introduced more profound changes in the structure of regional government by clarifying the boundaries of authority between the central and regional governments and strengthening the implementation of regional autonomy. As a continuation of the efforts to increase regional autonomy, Law No. 6/2014 on Villages, hereafter abbreviated as Village Law, was born as a more specific legal basis for village development.

The Village Law is a milestone in village empowerment, recognizing the importance of villages as government units with the right and authority to manage local affairs independently (Arfianto & Balahmar, 2014). The Village Law establishes various provisions that give villages the authority to organize and manage their government affairs, including in the economic sector. One concrete implementation of the Village Law is the establishment of Village-Owned Enterprises (BUMDes) as an instrument to improve the village economy (Panjaitan et al., 2022).

To support the implementation of the Village Law, the government issued several implementing regulations, including Government Regulation No. 43/2014 on the Implementation of Law No. 6/2014 on Villages: This PP provides technical guidelines on the procedures for implementing the Village Law, including mechanisms for establishing and managing BUMDes. Government Regulation No. 47/2015 on the Amendment of Government Regulation No. 43/2014 on the Implementation of Law No. 6/2014 on Villages: This PP revises PP 43/2014 to clarify and improve several provisions in implementing the Village Law. Minister of Villages, Development of Disadvantaged Regions, and Transmigration Regulation No. 4/2015 on the Establishment, Management, and Dissolution of Village-Owned Enterprises (Permendes 4/2015): This Permendes regulates in more detail the establishment, management, and dissolution of BUMDes, including procedures for the election of management and supervision. Government Regulation No. 60/2014 on Village Funds from the State Budget (APBN). This PP regulates the allocation mechanism, use, and accountability of village funds, which is one of the sources of financing for BUMDes. Law No. 32 Year 2004 on Regional Government is a new legal basis that provides greater opportunities for villages to be independent and develop. This law encourages villages to be more active in designing and implementing development programs that suit their local needs and potential.

To address the various issues faced by BUMDes, Law Number 11 of 2020 on Job Creation (Job Creation Law) was issued. This law contains provisions that amend several articles in the Village Law and shed light on the legal position of BUMDes and their role in the village economy. Some of the key points of the Job Creation Law that are relevant to BUMDes are as follows:

a) Affirmation of the Legal Status of BUMDes

The Job Creation Law amends the provisions regarding BUMDes in Article 117, which states that BUMDes is a legal entity established by villages and jointly with villages. Article 117 of the Job Creation Law reads:

“Village-owned enterprises, hereafter referred to as BUM Desa, are legal entities established by villages and or together with villages to manage businesses, utilize assets, develop investment and productivity, provide services, and other types of businesses for the greatest welfare of the village community.”

This change provides legal certainty for BUMDes by emphasizing that BUMDes is a valid entity with legal standing in the Indonesian legal system. Addresses the previous legal vacuum and provides a stronger legal basis for implementing BUMDes activities.

b) Changes to the Definition of BUMDes Capital

The Job Creation Law also changes the definition of BUMDes capital. Previously, Village Law Article 1 Paragraph (6) stated that BUMDes is a business entity whose capital is wholly or mostly owned by the village through direct investment (Hadi, 2021). In the Job Creation Law, this article was amended to state that:

“Village-owned enterprises, from now on referred to as BUMDes, are legal entities established by villages and jointly with villages to manage businesses, utilize assets, develop investment and productivity, provide services, and other types of businesses for the greatest welfare of the village community.”

This change signifies a shift in the role of the village, from being solely the capital owner to also the business's founder and manager. It empowers villages to collaborate and form consortiums with other villages, thereby enhancing their capacity to manage BUMDes.

c) Additional Authority to Establish Business Units

The Job Creation Law adds Article 87, Paragraph (4) and Paragraph (5) to the Village Law, allowing BUMDes to form a legal entity business unit by business needs and objectives. It allows BUMDes to develop business units that can operate independently and more effectively in managing assets and carrying out economic activities.

d) Government Regulation as *Lex Specialis*

As a follow-up to the Job Creation Law, Government Regulation No. 11/2021 on Village-Owned Enterprises (PP BUMDes) was issued as a more specialized implementing regulation (*lex specialis*) to regulate BUMDes (Kafabih, 2018). The PP BUMDes provides more detailed technical guidelines regarding establishing, managing, and supervising BUMDes. It is expected to improve on previous regulations and address shortcomings in BUMDes.

## **2. Strengthening BUMDes Based on the Job Creation Law and BUMDes Government Regulation**

With the Job Creation Law and BUMDes Government Regulation, several strategic steps can be taken to strengthen BUMDes and overcome various existing problems, among others:

1. Improved Legal Standing of BUMDes as the Job Creation Law provides legal certainty that BUMDes is a legal entity. Village governments should utilize this legal certainty to establish more effective cooperation with other parties and access broader sources of financing.
2. Managerial and Administrative Capacity Building: With the PP BUMDes, there are clear guidelines on BUMDes management. Village governments should ensure that BUMDes administrators receive adequate training to manage the business professionally and transparently.
3. Capital Utilization and Investment: The Job Creation Law allows villages to make joint investments with other villages. Village governments can utilize this opportunity to form partnerships and expand BUMDes businesses.
4. Application of Accountability and Transparency Principles: BUMDes must apply the principles of accountability and transparency in business management. This includes preparing accurate financial reports and conducting accountability for the village community.
5. Encouraging Community Participation: BUMDes development should involve the community in decision-making and business planning. Community participation is key to ensuring that the BUMDes can fulfill the needs and aspirations of the village community.

## **3. Concept and Analysis of BUMDes Ecosystem in the Economic Policy Framework**

BUMDes is a village economic institution established by the village or a combination of villages to manage businesses and assets to increase village revenue, expand employment, and

promote the village community's welfare (Village Law, Article 87). From an economic policy perspective, BUMDes serves as a means for local economic development and welfare equity (Abdillah et al., 2023). As a policy instrument, according to (Hadi, 2021). BUMDes resides in an ecosystem that involves various actors, including the village government, community, financial institutions, and the private sector. The theory of Sustainable Economic Development by Jeffrey Sachs (2005) as cited by (Jacob & Murdiyanti, 2021) suggests that effective economic policies should consider sustainability, equity, and long-term growth. BUMDes, as a legal entity regulated by Law Number 11 of 2020 on Job Creation and Government Regulation Number 11 of 2021 on BUMDes, is expected to contribute to these goals by utilizing village assets efficiently and effectively. The following are some economic policy concepts supporting the existence of BUMDes in Indonesia;

a) Institutional Theory and Local Economic Development

Institutional theory by Douglass North (1990) explains that effective institutions can reduce transaction costs and increase economic efficiency. The Job Creation Law changes the status of BUMDes from merely an administrative institution to a legally authorized legal entity (Article 117 of the Job Creation Law). This supports the institutional strengthening of BUMDes by providing a clear legal basis to manage assets and run business activities (Cahyani et al., 2019). This institutional strengthening is expected to reduce bureaucracy and increase the effectiveness of BUMDes operations.

b) Inclusive Economic Theory

The inclusive economic theory proposed by Dani Rodrik (2005) emphasizes the need for inclusive policies to create shared prosperity (Kahar et al., 2022). By granting greater rights and authority to BUMDes, the Job Creation Law seeks to engage village communities in economic activities that can reduce social disparities. BUMDes are designed to spread economic benefits evenly across village communities, encourage active community participation in local economic management, and improve social welfare (Permana, 2022).

c) Community-Based Economic Development Theory.

Elinor Ostrom's (1990) Community-Based Economic Development Theory emphasizes community participation in collective resource management. BUMDes, an institution that involves the participation of village communities, reflects the principles of this theory by encouraging the management of shared assets and community cooperation in economic activities. By adopting a community-based approach, BUMDes has the potential to increase social capital and strengthen relationships among community members (Ristiana & Yusuf, 2020).

d) Economic Theory of Sustainable Development

The economic theory of sustainable development by Michael Porter (1990) emphasizes that investments in key sectors can generate multiplier economic effects (Arfianto & Balahmar, 2014). By introducing capital provisions and business unit development in BUMDes, the Job Creation Law supports sustainable development by facilitating management and investment in village economic sectors. Investment in BUMDes is expected to impact the village economy and local economic growth positively.

#### **4. Challenges and Solutions in BUMDes Development**

a) Access to Capital and Business Cooperation Challenges

Challenges: BUMDes often face difficulties establishing business cooperation and obtaining bank capital. Solution: Based on the Social Capital Theory by Robert Putnam, as cited (Kafabih, 2018), social capital can strengthen trust and collaboration within communities. The government can incentivize financial institutions to invest in BUMDes and encourage strategic partnerships between BUMDes and the private sector to expand access to capital.

b) Tantangan Pengembangan Usaha dan Ekspansi

Challenges: BUMDes faces difficulties in business expansion and development of village potential. Solution: Referring to the Integrated Economic Growth Theory by Albert Hirschman (1958), local economic development strategies should include investments in key sectors (Hadi, 2021). The government can support BUMDes by subsidizing business development, providing business training, and building broader market networks.

## CONCLUSIONS

Based on the analysis, the BUMDes ecosystem from the economic policy perspective in Indonesia includes various aspects that influence the effectiveness of BUMDes in achieving national economic policy objectives. Regulatory changes through the Job Creation Law and Government Regulation No. 11/2021 provide a strong legal basis for BUMDes, improve access to capital, and expand business partnerships. However, challenges such as access to capital, business cooperation, and enterprise development require economic theory-based solutions. Recommendations for BUMDes development include strengthening managerial capacity and conducting managerial training to improve the operational efficiency of BUMDes. Improved Access to Capital: Encourage financial institutions to invest in BUMDes and seek alternative funding. Business Development Strategy: Develop a comprehensive business plan, including a feasibility study, marketing strategy, and business development.

The economic policy theories discussed provide a foundation for formulating policies that can improve the effectiveness of BUMDes in supporting local economic development and the welfare of village communities.

## REFERENCES

- Arfianto, A. E. W., & Balahmar, A. R. U. (2014). Pemberdayaan Masyarakat dalam Pembangunan Ekonomi Desa. *JKMP (Jurnal Kebijakan Dan Manajemen Publik)*, 2(1), 53–66. <https://doi.org/10.21070/jkmp.v2i1.408>
- Cahyani, E., Guspul, A., & Wijayanti, R. (2019). Analisa Pengaruh BUMDes dalam Menopang Kesejahteraan Masyarakat Kecamatan Kepil Kabupaten Wonosobo (Studi Empiris Pada Bumdes Silatri Indah Desa Beran Dan Bumdes Srikandi Desa Ropoh). *Journal of Economic, Business and Engineering*, 1(1), 32–39.
- Cawelti, J. G. (1961). The concept of formula in the study of popular literature. *Journal of Popular Culture*, 3(3), 381.
- Hadi, J. K. (2021). Kedudukan Badan Usaha Milik Desa (Bumdes) Berdasarkan Undang-Undang Nomor 11 Tahun 2020 Tentang Cipta Kerja. *JURIDICA : Jurnal Fakultas Hukum Universitas Gunung Rinjani*, 3(1), 29–52. <https://doi.org/10.46601/juridica.v3i1.192>
- Jacob, J., & Murdiyanti. (2021). PENINGKATAN KESEJAHTERAAN MASYARAKAT

MELALUI EKSISTENSI BUMDES (STUDI KASUS BUMDES TARAKAN DESA BOBANEHENA KABUPATEN HALMAHERA BARAT). *Jurnal Poros Ekonomi*, 10(1). <https://ejournal.unkhair.ac.id/index.php/porosekonomi/article/view/3673>

- Junaedi, A. A., Winata, R. H., & Mutmainnah. (2021). Pengaruh Return On Asset Dan Return On Equity Terhadap Harga Saham Pada Pt.Unilever Indonesia Tbk Periode 2016-2020 (Sebelum Dan Dimasa Pandemi Covid-19). *Jurnal E-Bis (Ekonomi-Bisnis)*, 5(2), 326–337. <https://doi.org/10.37339/e-bis.v5i2.665>
- Kafabih, A. (2018). Analisis Peran Modal Sosial Badan Usaha Milik Desa (Bum Desa) terhadap Pengentasan Kemiskinan. *OECONOMICUS Journal of Economics*, 3(1), 51–70. <https://doi.org/10.15642/oje.2018.3.1.51-70>
- Kahar, Z. A., Sahar, S., Yasin, A., Sinrang, A., & Ikbal, M. (2022). Kebijakan Pemerintah Tentang Pengelolaan Badan Usaha Milik Desa Abbokongang Kecamatan Kulo Kabupaten Sidenreng Rappang. *PRAJA: Jurnal Ilmiah Pemerintahan*, 10(2), 107–112. <https://doi.org/10.55678/prj.v10i2.655>
- Nardin, Y. (2019). Kebijakan Pemerintah Desa Dalam Pemberdayaan Masyarakat Pada Program Bumdes. *Jurnal Ilmu Sosial Dan Ilmu Politik (JISIP)*, 8(3), 140–145.
- Panjaitan, A. H., Wijoyo, A. E., Maulana, F., & Pahlevi, R. (2022). Optimalisasi Kebijakan Bumdes Kemedesa Pdtm Untuk Kesejahteraan Masyarakat Desa. *Jurnal Polinter: Kajian Politik Dan Hubungan Internasional*, 8(1), 1–31. <https://doi.org/10.52447/polinter.v8i1.6076>
- Permana, A. F. (2022). Konseptualisasi Strategi Pemberdayaan Ekonomi Masyarakat Desa. *J-EBI: Jurnal Ekonomi Bisnis Islam*, 1(1), 13–27. <https://doi.org/10.57210/j-ebi.v1i1.44>
- Rasyid Abdillah, M., Rahmat, A., Tri Nanda, S., & Anita, R. (2023). *Badan Usaha Milik Desa: Sebuah Reviu Kepustakaan*. 2(4), 279–284.
- Ristiana, & Yusuf, A. (2020). Pemberdayaan Ekonomi Masyarakat Melalui Badan Usaha Milik Desa di Desa Wisata Lerep. *Journal of Nonformal Education and Community Empowerment*, 4(1), 88–101.