

Revitalization of Village-Owned Enterprises to Strengthen the Community Economy in Indonesia: Between Policy and Prosperity

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Abstract

Indonesian president-elect, Prabowo Subianto, has emphasized his vision through Astacita, continuing President Joko Widodo's Nawacita concept. The primary focus is on village development and community economic empowerment to reduce inequality and poverty. This study employs a qualitative descriptive approach, analyzing legal data, regulations, and philosophical, political, and economic perspectives related to Village-Owned Enterprises (BUMDes). The main objective is to explore the urgency of revitalizing BUMDes to encourage village development, improve the local economy, and align with policies aimed at fostering community-based welfare. The Village Law strengthens the role of villages in development,

with BUMDes acting as a key driver of the village economy. However, BUMDes faces challenges in management and competitiveness. To address this, revitalization and collaboration are necessary to increase productivity, leverage local potential, and support community welfare. The government must enhance policies, improve management capacity, and protect BUMDes from harmful competition. Digitalization and synergy between villages also present solutions to bolster the village economy in the Industry 4.0 era. BUMDes plays a crucial role in boosting the village economy based on local potential, but participatory, transparent, and professional management is essential for its independent development. Strengthening subsidiarity and village authority accelerates sustainable development, in line with global trends in enhancing local governance and village economic autonomy. The revitalization of BUMDes is a key strategy for improving the village economy through the optimization of village funds and digitalization. Addressing management challenges requires enhanced capacity for village officials, strict supervision, and inclusive policies to foster sustainable economic growth and community welfare.

Keywords: Revitalization; Village-Owned Enterprises; Community Economy

A. Introduction

The elected President of Indonesia, Prabowo Subiyanto, outlined his vision and mission through the Program named Astacita (literally means “eight goals”). In the sixth Asta, Prabowo emphasized the importance of “building from the grassroots level to achieve economic equality and eradicate poverty.”¹ A similar vision was also paved by the former President of the Republic of Indonesia, Joko Widodo, through the Nawacita (literally means “nine goals”), to “foster regional and village development within the framework of a unitary state.”² This vision, he argued, must be realized through a mental

1 Tempo, “President-Elect Prabowo’s Astacita and Jokowi’s Nawacita in Comparison,” accessed November 15, 2024, <https://en.tempo.co/read/1912633/president-elect-prabowos-astacita-and-jokowis-nawacita-in-comparison>.

2 “Nawa Cita Jokowi JK 291014.Pdf - Google Drive,” accessed July 28, 2024, <https://drive.google.com/file/d/0B1CjVjvMelBScGNRbnhnR1JRbEU/view?resourcekey=0-JaZCs2p-yywRuVysFg4hVg>.

revolution – a strategy to establish sovereign politics, an independent economy, and personality in culture identity based on the spirit of hard work, integrity, and mutual cooperation.³ The concept of revolution implies rapid, fundamental, and comprehensive change. In this context, a mental revolution must begin with a recognition of the inherent character and values of the Indonesian nation.⁴

Theoretically, the foundation for the creation of the Village-Owned Enterprises (BUMDes) Law rests on pillars of the philosophical, legal, and political base. The philosophical basis in the formation of the Law is necessary when the legislators are faced with such a question as “What is law? And what is justice?” Indeed, a product of legislation must have a clear and defined purpose. Additionally, the legal policy guiding the formation of the law must be firmly established to serve as a reliable framework. Legislators are responsible for articulating the essence of law and justice, grounded in legal knowledge. In this context, philosophy plays a critical role by rigorously and profoundly examining the law being proposed, ensuring it aligns with fundamental principles of justice and legality.

Village-Owned Enterprises have become key instruments in advancing rural economic development in Indonesia. Established under Law Number 6 of 2014 concerning Villages, BUMDes serve as community-driven entities designed to optimize the management of local resources. Revitalizing these enterprises requires strengthening their operational efficiency, governance structures, and resource utilization to better address the needs of local communities. Through such efforts, BUMDes aims to become an engine of economic growth, providing job opportunities⁵ and stimulating local entrepre-

3 Indriyanto Bambang et al., “Mengkaji Revolusi Mental Dalam Konteks Pendidikan,” *Jurnal Pendidikan dan Kebudayaan* 20, no. 4 (December 18, 2014), pp. 554–67.

4 Andang Subaharianto, “Titik Balik Revolusi Mental Jokowi Halaman All - Kompas.Com,” accessed July 29, 2024, <https://nasional.kompas.com/read/2024/02/08/10352201/titik-balik-revolusi-mental-jokowi?page=all>.

5 Januari Nasya Ayu Taduri, “The Legal Certainty and Protection of Foreign Investment Againsts Investment Practices in Indonesia,” *Lex Scientia Law Review* 5, no. 1 (May 30, 2021), pp. 119–38.

neurship, which, in turn, boosts the welfare of rural communities.

The revitalization process often includes capacity-building programs, improved financial management, and the adoption of modern business practices. Many BUMDes in Indonesia have successfully transformed from traditional to innovative business models, incorporating digital technology and sustainable practices. For examples, agribusiness, ecotourism, and waste management initiatives have demonstrated how the development of BUMDes can adapt to market demands and maintain local culture and environmental sustainability. These enterprises also contribute to promoting social fairness by including marginalized people and ensuring that the benefits are distributed fairly among villagers. The village government plays a crucial role as it is the fundamental entity that interacts directly with the community. The policies and decisions made by the village government have an immediate and tangible impact on the lives of local people.⁶

Despite these advancements, challenges remain, including limited access to funding, inadequate managerial skills, and regulatory constraints. Addressing these issues requires coordinated efforts from the government, private sector, and local communities. By offering tailored training, fostering partnerships, and improving the policy environment, the revitalization of BUMDes can significantly enhance its capacity to strengthen Indonesia's rural economy. As such, these enterprises are not only contributive to reducing rural poverty but also align with broader national goals of achieving inclusive and sustainable economic growth.

According to Murphy and Coleman "the aim of philosophy is to articulate and defend the standards of rational criticism and to clear away the darkness that shrouds (legal) practice when it begins to be questioned, not in terms of public and objective reason, but in

6 Meinanda Anggun, Maharani Meinanda, and Anggun Maharani, "BPD Empowerment Program in Optimizing Village Financial Implementation (Perspective Law No. 6 of 2014)," *Journal of Indonesian Legal Studies* 3, no. 1 (May 22, 2018), pp. 93–108.

terms of unexamined feelings, dogmas, beliefs, and conventions.”⁷ This indicates that the philosophical analysis of law is intended to provide rational accountability for the concepts used in legal practice. Once again, the function of philosophy as a basis for legal regulations (in this case the Law) is not to report on its implementation, but through critical reflection to reconstruct and correct the general use of the concept. This critical reflection is important for two reasons, that society is interested in upholding the public interest in the form of social order which is a precondition for the implementation of rights and the realization of the interests of citizens; controlling the potential for arbitrary rulers.

In legal science, there is still debate about the relationship between morality and law. The proponents of the positivist school of law tend to separate the two. H.L.A. Hart, for example, holds the idea that law as a system must aim for justice, while acknowledging that specific laws or legal decisions may be unjust.⁸ Franz Magnis-Suseno argues that law in reality can be unjust, yet law as law requires justice. In legal products in the form of laws, critical analysis must begin from the formation of the law. Therefore, in the law considerations, the philosophical basis for its formation is always explicitly stated outlining the background and the basis for the formation of the law.⁹ Thus, laws are not formed only based on the “momentary intuition” of the lawmakers. They are simply created from the need to protect the public interest.

In addition to being the foundation of all sources of law, Pancasila serves as the ultimate legal ideal within the hierarchy of law. The concept of legal ideals (*rechtsidee*) refers to the notion that the essence of law is a set of rules of conduct governing society, derived from the collective ideas, values, emotions, will, creativity, and thoughts

7 P. Karen Murphy and Patricia A. Alexander, “A Motivated Exploration of Motivation Terminology,” *Contemporary Educational Psychology* 25, no. 1 (January 1, 2000), pp. 3–53.

8 Brian Bix, “H. L. A. Hart and the ‘Open Texture’ of Language,” *Law, Language, and Legal Determinacy*, November 2, 1995, pp. 7–35.

9 Franz Magnis-Suseno, *Etika Dasar Masalah-Masalah Pokok Filsafat Moral* (Yogyakarta: PT. Kanisius, 1989).

of the people. In this sense, legal ideals encompass the ideas, wills, creations, and perceptions that shape the understanding of law and its meaning.¹⁰ B. Arief Sidharta explains that the legal ideals of Pancasila, rooted in its worldview, inherently reflect the goals of the state and the fundamental values articulated in the Preamble. These ideals are particularly embodied in the five basic philosophical principles of the state and are further elaborated in the articles contained in the Body of the 1945 Constitution.¹¹ These goals of the state are realized through the implementation of governance and action by the government.

Based on the Preamble to the 1945 Constitution, one of the goals of the state is to achieve the general welfare of the community, as embodied in the concept of the Welfare State. In addition, the provisions of Article 18A paragraph (2) of the 1945 Constitution stipulate that the utilization of natural resources and other resources between the central government and regional governments is regulated and implemented fairly and harmoniously based on the Law. Furthermore, the provisions of Article 33 of the 1945 Constitution which focus on the national economic development, mandate that the economy be organized as a joint effort based on the principle of family, with further regulations established by law.

Rooted in the philosophical foundation of the constitution, the implementation of Village-Owned Enterprises brings the spirit of the Preamble to the 1945 Constitution, the provisions of Article 18A paragraph (2) and Article 33 of the 1945 Constitution. Furthermore, when linked to authority, Philip Selznick and Philippe Nonet's theory of law and power outlines several stages of legal development. These stages include a shift from repressive law to more autonomous law, and ultimately towards responsive law.¹² It is depicted that the emer-

10 Fauzi Syam et al., "Why Should the Role of the House of Representatives in Monitoring and Review Local Regulations Be Strengthened?," *Journal of Indonesian Legal Studies* 9, no. 1 (May 8, 2024), pp. 417–56.

11 B. Arief Sidharta, *Pengantar Logika Sebuah Langkah Pertama Pengenalan Medan Telaah*, 5th imprint, (Bandung: PT. Refika Aditama, 2016).

12 Phillippe Nonet and Philip Selznick, *Hukum Responsif Pilihan Di Masa Transisi* (Jakarta: Perkumpulan untuk Pembaharuan Hukum Berbasis Masyarakat

gence of responsive law is primarily driven by societal reactions to the rigidity that of modern but repressive law. As society demands change, this leads to a shift towards more autonomous law, eventually evolving into responsive law that better aligns with the needs and aspirations of the community.

Similarly, the concept of progressive law, as articulated by Satjipto Rahardjo, begins with the fundamental philosophical assumption that law exists for the benefit of humans, not the other way around. In this view, the role of law is to serve and protect individuals, rather than subordinate them. Law is viewed as an institution designed to guide people towards a just and prosperous life, ultimately contributing to human well-being and happiness. The progressive law adheres to the ideology of law that is pro-justice and pro-people law. The assumptions underlying the progressiveness of law are: first, law exists for humans and not for itself; second, law is always in the status of law in the making and is not final; third, law is an institution that is morally humane, and not a technology that has no conscience. Considering the things that underlie legal progressivism above, in principle the existence of law is actually to protect humans as users of the law. Law is made for humans, so the law that is made must be a humane law.¹³

Based on these assumptions, the criteria for progressive law are: first, it has a major goal in the form of human welfare and happiness; second, it contains a very strong moral content of humanity; third, progressive law is a liberating law that includes a very broad dimension that does not only move in the realm of practice, but also theory; fourth, it is critical and functional, because progressive law never stops seeing existing deficiencies and finding ways to improve them. The formation of progressive law is most appropriate if it is done through the formation of a Law, not through the formation of regulations under it. To avoid being constrained by rigid and non-autonomous legal frameworks, progressive law must engage with

kat dan Ekologis (HuMa), 2003).

13 Satjipto Rahardjo, *Penegakan Hukum Progresif* (Jakarta: Penerbit Buku Kompas, 2010).

practical issues and theoretical principles—matters that cannot be adequately addressed through subordinate regulations but require direct incorporation into the core legislative structure.¹⁴

Based on the explanation above, it is clear that the philosophical basis for the formation of the Village-Owned Enterprises Law is to realize public welfare through the formation of joint ventures based on the principle of family. Therefore, Village-Owned Enterprises must be regulated by law, as mandated by the constitution. The inclusion of Village-Owned Enterprises as one of the topics in the 2019-2024 Prolegnas (national legislation program) raises a related question as to why Village-Owned Enterprises must be regulated by Law and not simply regulated by regulations under the Law. Based on this fundamental question, the existing conditions that currently apply regarding the regulation of Village-Owned Enterprises will first be explained, which will then lead to the urgency of the need for legislative development on BUMDes.

1. establishment and management organization;
2. village capital and assets;
3. articles of association and bylaws;
4. development of business activities;
5. establishment of joint Village-Owned Enterprises; and
6. delegation of further arrangements by Ministerial Regulation.

The regulation in the Government Regulation Number 43 of 2014 raises a major issue, especially in the material content of business activity development, because in the provisions of Article 139 in the Regulation, it is determined that “losses experienced by BUMDes are the responsibility of the operational implementer of BUMDes”. In addition, neither the Law nor the related Government Regulation has an elaboration regarding the form of BUMDes that can be formed, accounting standards for financial reporting and other administrative reporting. According to Article 142 of the Government Regulation, which grants delegation for further regulation through Ministerial Regulation, the establishment, management, administra-

¹⁴ Rahardjo. *Penegakan Hukum Progresif...*

tion, and dissolution of the BUMDes must be governed by specific guidelines. The delegation was responded to by the ratification of the Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration Number 4 of 2015 concerning the Establishment, Management and Management, and Dissolution of Village-Owned Enterprises. The Government Regulation Number 43 of 2014 regulations:

1. Establishment of BUMDes and Management and Administration of BUMDes which includes:
2. form of BUMDes organization;
3. BUMDes management organization;
4. BUMDes capital;
5. classification of BUMDes business types;
6. allocation of BUMDes business results;
7. BUMDes bankruptcy;
8. BUMDes cooperation between villages; and
9. accountability for BUMDes implementation;
10. Guidance and Supervision.

This article, therefore, discusses the revitalization of village-owned enterprises with various business activities that can play a role in improving the economy of village communities and the forms of business activities managed by village-owned enterprises that need to be revitalized in order to improve the economy of village communities.

The enactment of Law Number 6 of 2014 concerning Villages provides hope for autonomous and independent village life in community life. Therefore, there is a pressing need to make efforts toward revitalizing BUMDes to fully realize their potential in village development. This article raises the issue that the role of BUMDes is crucial in exploring, collecting, and managing the local potential found within villages employing a qualitative descriptive method. According to Nasution, the qualitative method is also referred to as the naturalistic method because the data collected is qualitative

in nature and does not rely on measuring instruments.¹⁵ It is called naturalistic because it reflects the field situation as it naturally exists, without manipulation or artificial alteration.

President Prabowo current program has a strong correlation with the Village Law and Jokowi's 3rd Nawacita Aspiration, especially in the aspects of village development based on the people's economy, food security, digitalization, and infrastructure.¹⁶ One of his main programs, the "Free Meals Program," if implemented with a focus on local products, could encourage villages to become food production hubs, aligning with the spirit of the Village Law in strengthening the village economy.

The development of village infrastructure and connectivity emphasized by Prabowo will accelerate the distribution of village products, support digitalization, and expand market access for village communities. The national food security program through the concept of food barns and optimization of agricultural land will also have a positive impact on village farmers, especially if supported by appropriate subsidies and partnerships with BUMDes. In terms of defense, the concept of total people's defense promoted by Prabowo can be linked to the role of villages in building social and economic resilience, making villages a fortress of national resilience in facing food crises, energy, and other social threats. Therefore, the success of the implementation of the Village Law during Prabowo's administration is highly dependent on how village development policies are collaborated with the superior programs he promotes.

15 Bahder Johan Nasution, *Metode Penelitian Hukum* (Bandung: Bandar Maju, 2008).

16 Rangga Eka Sakti, "Astacita, Prabowo-Gibran Government's Vision Towards Golden Indonesia 2045 - Kompas.Id," October 24, 2024, <https://www.kompas.id/baca/english/2024/10/20/en-astacita-visi-pemerintahan-prabowo-gibran-menuju-indonesia-emas-2045>.

B. Revitalization of Village-Owned Enterprises with Various Business Activities and Their Role in Improving the Economy of Village Communities

Since the introduction of Nawa Cita by former President Jokowi Widodo, the Indonesian government has embraced the vision of “building Indonesia from the outskirts” as a key measure of its commitment to rural development.¹⁷ This spirit is stated in Law Number 6 of 2014 concerning Villages (known as the Village Law). Various efforts have been made, ranging from infrastructure development to community empowerment, including the establishment and growth of Village-Owned Enterprises (BUMDes). As of 2021, six years after their inception in 2015, village funds have continued to grow significantly, from IDR 20.76 trillion, 46.98 trillion, 60 trillion, and 70 trillion for 2019.¹⁸ In several of his speeches said that the priority of using village funds in 2019 is expected to be used more for economic empowerment through BUMDes. The latest data from 2018 stated that the number of BUMDes reached 35 thousand out of 74,910 villages throughout the archipelago. This figure is quite fantastic considering that the target of the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration is only 5000 BUMDes.¹⁹

The issue, however, is that many BUMDes remain merely established entities without engaging in promising business activities. Several challenges contribute to the underdevelopment of these BUMDes, preventing them from growing as anticipated. First, the BUMDes are new products of the Ministry of Villages, Disadvantaged Regions, and Transmigration through the priority scale of the annual village fund. The Village Government (Pemdes) inevitably

17 Sekretariat Kabinet Republik Indonesia, “Membangun Indonesia Dari Pinggiran Desa,” June 24, 2019, <https://setkab.go.id/membangun-indonesia-dari-pinggiran-des/>.

18 Direktorat Jenderal Perimbangan Keuangan, “Rincian Alokasi Transfer Ke Daerah Dan Dana Desa (TKDD) Dalam APBN Tahun Anggaran 2019,” October 31, 2018, <https://djpk.kemenkeu.go.id/?p=9370>.

19 Cipta Desa, “Permendesa PDT Nomor 2 Tahun 2024 – Petunjuk Operasional Atas Fokus Penggunaan Dana Desa Tahun 2025 | Cipta Desa,” December 23, 2024, <https://ciptadesa.com/permendesa-2-tahun-2024/>.

has to establish a Village-Owned Enterprise without adequate provisions. Secondly, prior to the enactment of the Village Law, villages were essentially government structures that operated based on directives from higher-level authorities. Instead of being the subject of development, the village was treated as the object of development. This shift required time to adapt from the old governance model to the new one.

Joint Village-Owned Enterprises are envisioned as a driving force for enhancing the welfare of rural communities by fostering economic productivity. They aim to leverage the diverse potentials within each village to create sustainable growth and development. Yultuwo suggested that Joint Village-Owned Enterprises must arise from the collective will of the villagers, as determined through village deliberation, and subsequently brought into the realm of inter-village deliberation.²⁰ A village deliberation is the highest forum in the village which functions to produce strategic decisions related to village policies.

Historically, villages were the forerunners of the formation of political and governmental communities long before the establishment of the Indonesian state. Social structures, such as villages, indigenous communities, and similar entities, have evolved into vital social institutions with significant importance in society.²¹ The enactment of the Law Number 6 of 2014 concerning Villages has transformed Indonesia's approach to development. Before the presence of the law on villages, ongoing development only waited for instructions from above so that villages could be said to be objects of policy recipients coming from the center, provinces, and districts without paying attention to the aspirations that come from the village community itself. This differs from development that originates from below, where local communities are given space to be involved in planning and

20 Mochammad Rokim, Mahendra Wijaya, and Retno Setyowati, "BUM Desa Bersama: Strategi Transformasi Pengelola Kegiatan DBM Eks PNPM Mandiri Pedesaan," *Jurnal Ilmiah Global Education* 5, no. 1 (March 23, 2024), pp. 455–66.

21 H.A.W. Widjaja, *Komunikasi & Hubungan Masyarakat* (Jakarta Timur: Bumi Aksara, 2010).

implementation because the community can identify the problems or needs in their own village. With the birth of the village law, each village has the authority to regulate its domestic affairs according to the conditions and customs prevailing in the village. The purpose of establishing the village law is in line with the intent in Article 18 paragraph (7) and Article 18B paragraph (2) of the 1945 Constitution of the Republic of Indonesia considering that the background to the creation of the Village Law which says "... in the course of the Republic of Indonesia's state administration, villages have developed in various forms so that they need to be protected and empowered, so that they become strong, advanced, independent, and democratic so that they can create a strong foundation in implementing governance and development towards a just, prosperous and prosperous society." Developed villages must be empowered and safeguarded to become strong, advanced, independent, and democratic. From the perspective of the considerations behind the Village Law's formation, the government aims to establish more active village institutions, particularly in the economic sector.

Revitalization is an effort to recycle with the aim of re-vitalizing the main function in other words returning the vitality of its main function that has faded. In this case, revitalization of BUMDes means an effort to restore the vitality of BUMDes as a business entity that collects and accommodates the local potential of the village. In the Village Law, the BUMDes is defined as a business entity whose entire capital is owned by the village through direct participation from separate village assets to manage assets, service services and other businesses for the greatest welfare of the village community, this meaning is certainly inherent in the objectives of the village government, of course this is the potential that each village has in its development process. Thus, the village needs to carry out empowerment starting with the planning stage, implementation and then the evaluation stage. This process is an essential part of utilizing the local potential of the village. Local potential is the wealth of nature, culture, and human resources found in an area. The different natural and customary contour conditions are the characteristics of a village which is the

local potential of each region.²²

The significant role of BUMDes in harnessing local village potential is outlined in Law Number 6 of 2014, Article 1, Paragraph (6). According to the law, Village-Owned Enterprises (BUMDes) are business entities whose capital is wholly or primarily owned by the village, through direct investment from village assets. These enterprises are tasked with managing village assets, providing services, and undertaking various businesses to maximize the welfare of the village community. It can be understood that the Law Number 6 of 2014 is more elaborative. The Law Number 6 of 2014, which provides more detailed regulations, is outlined in Chapter X across three articles: 1) Article 87, Paragraphs (1) to (3); 2) Article 88, Paragraphs (1) and (2); and 3) Article 90. Based on these provisions, BUMDes is designed to align with the specific needs and potential of each village, serving as a means to enhance the welfare of the village community. Village-Owned Enterprises are built based on community initiatives, and are based on cooperative, participatory, transparent, emancipatory, accountable, and sustainable principles with member-based mechanisms and independent entrepreneurship. As a key aspect of local village potential, Village-Owned Enterprises are considered a form of social capital. They are expected to bridge the gap between villages and the broader economic sphere, thereby strengthening the economic foundation of rural areas. Every village government has the right to establish a Village-Owned Enterprise. However, it is important to recognize that Village-Owned Enterprises are also based on village potential originated and developed from local resources. Indeed, the establishment of a business entity must be accompanied by efforts to strengthen capacity and supported by regional policies that facilitate its development and provide protection.

The purpose of BUMDes, as a social institution, is to prioritize the interests of the community by contributing to the provision of

22 Salmawati Salmawati et al., "Pemberdayaan Potensi Lokal Masyarakat Melalui Pelatihan Pembuatan Tela-Tela Singkong Dikampung Baingketi Kabupaten Sorong," *Jurnal Pengabdian Mandiri* 2, no. 2 (February 15, 2023): 585–90, <https://bajangjournal.com/index.php/JPM/article/view/5090>.

social services. It is also aimed to increase the original village income (PADes). As explained above, BUMDes acts as a central economic driver, playing a crucial role in improving the economic status of a village. It harnesses the diverse local potentials within the village and serves as a platform for channeling these resources. In this sense, BUMDes can be seen as a container that integrates and supports all the potential and needs necessary to enhance the welfare of the village community. The characteristics of BUMDes include being a legal entity that operates in the economic sector, such as services, manufacturing, and trade. Its capital is derived from the participation of both the Village Government and the community, with a typical ratio of 51% from the village government and 49% from community contributions. BUMDes serves as the center of economic activity for the village community, acts as one of the sources of village income, and provides various services to enhance the welfare of the community. The businesses that can be operated by BUMDes include: Village markets, savings and loans, Waserda, water sources, transportation, village tourism objects, Home Industry, folk crafts, inland fisheries, livestock, agriculture and agro-industry.

The target of BUMDes is to improve the village economy so that it is beneficial for village welfare. In this case, the operational mechanism is completely handed over to the village community, for that the village community needs to be prepared in advance so that they can accept new ideas about economic institutions that have two functions, namely social and commercial. So the most appropriate preparation is to focus on socialization, education, and training for parties interested in improving the standard of living of the village community. In this way, it is hoped that the existence of BUMDes will be able to encourage the dynamics of economic life in rural areas. The role of the village government is to build relations with the community to realize the fulfillment of Minimum Service Standards (SPM), as part of efforts to develop a more empowered village community (community-based development).

As mentioned above, BUMDes is a pillar of village economic activities that functions as a social institution and a commercial in-

stitution. As a social institution, BUMDes is based on the interests of the community. As a commercial institution, BUMDes aims to provide services in the form of goods and services for the welfare of the community. The role of BUMDes is greatly needed. BUMDes must be able to be a connector. Connecting village potentials through the promotion of Superior Village Products (Prudes) which can be developed into Superior Rural Area Products (Prukades) through BUMDes Bersama. Data from the Ministry of Villages, Disadvantaged Regions and Transmigration states that Prukades as a form of cooperation between villages totals 343 in 148 districts in 29 provinces in Indonesia. There are 18 commodities that are cultivated through partnerships with 30 companies. Meanwhile, the potential investment created reaches IDR 47 trillion.

Thus, Prukades has great potential to create employment opportunities in rural areas and has the potential to improve the welfare of village communities. In addition to the management instructions for BUMDes which are still relatively new, villages generally feel confused about formulating the assets and potential they have. In fact, this potential is actually widespread and has elements in common with other villages in general. The issue is that the 'common' potential goes unrecognized because it is often overlooked. One concrete example is the agricultural or tourism sector. Every village, in fact, has at least one of these sectors, if not both. The issue, however, is not a difficult one to address. Villages with the same potential can build a Joint BUMDes institution. Joint BUMDes can not only build village potential into a unified economic strength that is intact and has high selling power. More than that, villages can work together and exchange ideas to develop good self-management concepts. Learning from other villages or working together with other BUMDes is the most effective strategy for the main limitation of the village, namely the problem of human resources. Joint Village-Owned Enterprises are expected to be a bridge to integrate potential, market needs, and the preparation of competitive and competitive planning. The development of Joint Village-Owned Enterprises must be supported by regional policies (district/city) by facilitating and increasing capacity

through proper management training.

The government must also protect these business entities from the threat of competition from large investors. If necessary, the government requires investors to collaborate with BUMDes as an effort to promote Prudes or Prukades to a wider area. Don't let the investment tap that is opened wide by the government actually overthrow business entities operating in this rural area. Entering the era of the industrial revolution 4.0, the government can also encourage villages to build digital villages which can later also be managed by BUMDes. This encouragement can be stated in the Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration on the priority of using village funds for the current year. Villagers have their own work philosophy. For them, work is not just about hunting for profit or wealth. More than that, work is considered as part of a way of life. The great potential of village communities that cannot be found in urban areas based on urban people is the spirit of mutual cooperation. This spirit is the principle or foundation for upholding the people's economic movement. BUMDes Bersama is a form of village government and community.

Joint Village-Owned Enterprises can be the initiator of the idea of development and development of the people's economy. The concept of the people's economy emerged as a result of the socio-economic gap in society. The gap arises due to the inequality of production resources and productivity among economic actors. The development of the people's economy in order to increase national economic resilience reflects its role and function as a pillar of national resilience. In essence, national resilience is the ability and resilience of a nation to ensure survival and development with its own strength (independent). To be independent, a nation must have a strong economy, because to build independence, economic strength must be carried out.

C. Forms of Business Activities Managed by Village-Owned Enterprises

Villages are one of the potential places for a country's economy. Village-owned enterprises, often referred to as BUMDes, are village business institutions managed by the village government and the village community with the aim of strengthening the village economy and are formed based on the needs and potential in the village. Village-owned Enterprises are business entities whose capital is wholly or mostly owned by the village through direct participation originating from village assets that are separated to manage assets, services and other businesses for the welfare of the village community. BUMDes must be born from the will of all villagers which is decided through the Village Deliberation (Musdes). Musdes is the highest forum that produces various main decisions in BUMDes starting from the name of the institution, the election of administrators to the type of business that will be run. The establishment and management of BUMDes is a manifestation of the management of the village's productive economy which is carried out cooperatively, participatively, emancipatively, transparently, accountably and sustainably.

In the BUMDes Guide book published by the Ministry of National Education in 2007, it is explained that there are several stages in the process of establishing a BUMDes. It explains the methods and requirements for establishing a BUMDes, which consist of:

1. Establishment of BUMDes is based on the District Regulation
2. Regulated based on the Village Regulation
3. One Village, there is only one BUMDes
4. The District Government facilitates the establishment of BUMDes
5. BUMDes can be established in the form of a Joint Venture (UB) or other forms, but not a Cooperative, PT, Regionally-Owned Enterprise, CV, UD or financial institution (BPR)

Characteristics of BUMDes, among others:

1. Full power in the hands of the village, and managed together with the village community

2. Joint capital, namely from the village by 51% and from the community by 49%, is carried out by equalizing capital (shares or shares). (Also read: forms of business ownership)
3. Using a business philosophy rooted in local culture to carry out operational activities. This operationalization process is jointly controlled by the BPD, Village Government and community members. (Also read: understanding the ASEAN economic community)
4. The fields chosen for village business entities are adjusted to market potential and information.
5. The profits obtained from production and sales are intended to improve the welfare of members and village communities through village policies.
6. The provision of facilities and supervision is carried out by the Provincial Government, District Government, and Village Government.

BUMDes has four main objectives, namely:

1. Improving the economy of rural communities
2. Improving the income of rural communities (Also read: concept of national income, sources of regional income)
3. Optimizing the potential of natural resources for community needs
4. Becoming a tool for equalization and growth of the village economy.

Basically, the establishment and management of BUMDes is a form of productive village economic management carried out cooperatively, participatively, emancipatively, transparently, accountably and sustainably. For this reason, it requires serious BUMDes management so that it can run independently, effectively and professionally. The forms/types of businesses that can be run by BUMDes are:

1. Social Business/Serving. Providing services to residents so that residents get great social benefits. This type of business is like drinking water management, waste processing and so on.
2. Finance/Banking. BUMDes can build financial institutions to help residents get access to capital in an easy way with the

cheapest possible interest.

3. Rental Business/Renting. Running a rental business to make it easier for residents to get various equipment and supplies needed, for example building rentals, party equipment, tractor rentals and so on.
4. Intermediary/Brokering Institution. BUMDes becomes an intermediary between commodities produced by residents in a wider market so that BUMDes shortens the distribution route for commodities to the market.
5. Trading. BUMDes runs a business selling goods or services needed by the community that previously could not be done by residents individually. For example, BUMDes establishes a gas station for ships in fishing villages. BUMDes establishes an ice factory for fishermen so that fishermen can get ice more cheaply to maintain the freshness of their catch when going to sea.
6. Joint Business/Holding. BUMDes builds an integrated business system that shows many businesses in the village. For example, BUMDes manages village tourism and opens up access as widely as possible to residents to be able to take on various roles needed in tourism business activities. Contractor/Contracting. Implementing a partnership work pattern in various village activities such as implementing village projects, suppliers of various materials for village projects, providers of cleaning services and others.

The difference between BUMDes and commercial economic institutions in general, there are 7 differences between BUMDes and other commercial economic businesses, namely:

1. This business entity is owned by the village and managed jointly,
2. Business capital comes from the village (51%) and from the community (49%) through capital equalization (shares or contributions),
3. Its operations use a business philosophy rooted in local culture,
4. The business fields run are based on potential and market information results,
5. The profits obtained are intended to improve the welfare of

members (capital contributors) and the community through village policies,

6. Facilitated by the Government, Provincial Government, Regency Government, and Village Government,
7. The implementation of operations is controlled jointly (Village Government, BPD, and members).

Villages have the right to recognition and subsidiarity to strengthen village independence. Recognition refers to the recognition of the origin of the village, while subsidiarity relates to the determination of local-scale authority and local decision-making aimed at providing benefits to the village community. Strengthening village authority in the Village Law is implemented because villages make many contributions to the local and national economy.²³

Villages have the right to be recognized and granted subsidiarity to strengthen their independence, which is not only relevant in the Indonesian context, but also globally. Recognition of village origins reflects respect for cultural diversity and local identity, which is in line with international human rights principles that encourage the preservation of culture and the right of local communities to be recognized. The principle of subsidiarity, which relates to the determination of local authority and decision-making for the benefit of village communities, reflects the value of local democracy that is increasingly recognized globally. Many countries around the world apply the principle of subsidiarity to ensure that decisions that affect local communities are made by those closest to them, which in turn can increase policy effectiveness and community participation.

The strengthening of village authority in the Village Law in Indonesia also reflects the global trend in strengthening local governance in response to the challenges of globalization and urbanization. In many European and African countries, increasing village autonomy and empowering local communities is often seen as an important step in improving economic and social resilience. In ad-

23 Rizki Zakariya, "Optimizing the Role of the BUM Desa in the Development of Rural Economy During the COVID-19 Pandemic," *Lex Scientia Law Review* 4, no. 2 (December 1, 2020), pp. 91–112.

dition, strengthening villages as independent and productive entities provides significant contributions to the local and national economy, which is increasingly vital in the framework of sustainable development recognized by the UN through the 2030 Agenda for Sustainable Development (SDGs). In this case, villages not only function as beneficiaries of development policies, but also as agents of change that contribute to achieving global goals, such as poverty reduction, increased welfare, and inclusive economic development.

D. Revitalization of Village-Owned Enterprises to Improve the Economy of Village Communities

Regulation of the Minister of Villages, Development of Disadvantaged Regions and Transmigration (Permendes PDTT) Number 13 of 2020 concerning Priority Use of Village Funds in 2021 stipulates that the priority use of village funds is directed to programs and/or activities to accelerate the achievement of sustainable development goals or Sustainable Development Goals (SDGs) for the Village, one of which is through national economic recovery in accordance with village authority. In this case, the use of village funds is prioritized for the establishment, development, and revitalization of BUMDes and/or BUMDesma for equitable village economic growth. This revitalization can be done through capital participation and capital strengthening.

In village management, the Regional Government faces various obstacles related to village apparatus resources. Village communities still do not understand the procedures applied in managing village funds, so they have not been able to meet the expectations of both the village government and the local community. In addition, improvements are needed in terms of supervision and implementation of village funds, especially in Pekalongan and Kebumen Regencies at the sub-district level. This is important so that each sub-district can supervise the village government from the planning stage to the financial reporting of village funds.²⁴

24 Fathul Hamdani and Ana Fauzia, "The Authority of the Village Govern-

Previously, President Joko Widodo himself had provided direction regarding efforts to revitalize BUMDes to improve the rural economy. Related to this direction, the Minister of Villages, Disadvantaged Regions and Transmigration, Abdul Halim Iskandar, prepared strategic steps to revitalize BUMDes before the Covid-19 pandemic. The first was the profiling of 27,000 BUMDes which were grouped into savings and loan business, services, agricultural production, fisheries, and village tourism. The remaining pairs were formed in line with the offtakers that matched the farming sector, in the form of 12 BUMDes that focused on the fishing sector. In addition, it was also facilitated the cooperation of 53 BUMDes with market place to improve trade. Consultation was also held with the Financial Services Authority (OJK) in order to resolve the completion of Unit Activity Manager (UPK) leading to the establishment of a micro *waqf* bank. Furthermore, efforts were made to facilitate collaboration between BUMDes and marketplaces or offtakers, including providing production training to align with market needs for 41 BUMDes and support for the export of products from 7 BUMDes. Digital applications were also provided to BUMDes to help manage various types of businesses, while encouraging the replication of successful digital BUMDes in other areas. On the same occasion, Minister of Villages, Disadvantaged Regions, and Transmigration Abdul Halim Iskandar mentioned that even during the Covid-19 pandemic, 10,629 BUMDes continued to conduct transactions across 368 districts and cities in 33 provinces. These BUMDes achieved a total transaction value of IDR 308 billion, with an overall turnover of IDR 938 billion, and were able to sustain 58,026 workers.

BUMDes are legal entities established by villages with the main objective of increasing village original income and the welfare of village communities. The establishment of BUMDes is regulated by various applicable laws and regulations, such as the Job Creation Law, the Village Law, Government Regulation Number 11 of 2021,

ment in the Management of Village Funds during the Covid-19 Pandemic,” *Indonesian Journal of Advocacy and Legal Services* 4, no. 1 (April 27, 2022), pp. 195–222.

and the Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration Number 3 of 2021. The BUMDes registration process is carried out by submitting the BUMDes name to the Ministry of Law and Human Rights, which will approve the name if approved. Furthermore, a Village Deliberation or Inter-Village Deliberation is held. Several documents also need to be prepared to obtain a legal entity registration certificate.²⁵

President Joko Widodo once expressed his optimism that the village economic rebound can be achieved through the revitalization of BUMDes. Currently, there is already quite a large amount of capital, namely 4,571 BUMDes that have optimized digital products (BUMDes digitalization), and as many as 27,333 BUMDes are in village areas with 4G internet coverage. In accordance with the strategic steps of the Ministry of Villages, Disadvantaged Regions and Transmigration, the potential BUMDes that currently exist must be encouraged to be duplicated by other regions. In addition, assistance towards the digitalization of BUMDes is another important point, either in the form of cooperation with e-commerce, building a system independently, or facilitated by the Ministry of Villages, Disadvantaged Regions and Transmigration. This solution and supervision are expected to enable BUMDes to contribute directly to the community's economy.

The allocation of funds for regional development aims to support the implementation of regional development organization management. Therefore, development funds must be collected properly and smoothly, continue to grow, and be used efficiently to encourage economic growth in the community in the region.²⁶

Cultural and social challenges do affect the management of vil-

25 Arif Hidayat et al., "Identification And Analysis Of Organizational Arrangements For Village Owned Enterprises," *Jurnal Pengabdian Hukum Indonesia (Indonesian Journal of Legal Community Engagement)* 6, no. 2 (November 28, 2023), pp. 319–31.

26 Betha Rahmasari, "Paradigma Pembangunan Desa Dalam Pengelolaan Keuangan Desa Berdasarkan Undang-Undang Nomor 6 Tahun 2014 Tentang Desa," *Volksgeist: Jurnal Ilmu Hukum Dan Konstitusi* 3, no. 2 (December 30, 2020), pp. 117–32.

lage funds in many countries. In some parts of Africa, for example, gender inequality and inequalities in leadership positions often hinder the active participation of women and marginalized groups in managing village resources. This is also the case in Indonesia, where the role of women and other vulnerable groups in decision-making and managing village funds is often overlooked. To improve transparency and accountability, it is critical for countries such as Indonesia, the Philippines, and India to formulate more inclusive policies that not only involve key stakeholders but also provide space for groups that are often marginalized in government decision-making processes. The Philippines implemented Republic Act Number 7160, which grants greater authority to villages in managing resources, while India's MGNREGA focuses on rural employment and infrastructure development. Indonesia can adopt these practices by strengthening decentralization, enhancing village capacities, and encouraging active community participation.

E. Concluding Remarks

The “Building Indonesia from the Outskirts” vision, through the Village Law, aims to empower rural economies, especially through Village-Owned Enterprises (BUMDes). Despite increased village funds, many BUMDes remain underdeveloped due to poor management. Empowering villages to manage resources fosters economic independence and welfare. Revitalizing BUMDes through collaboration can unlock local potential. Government support, capacity building, and effective policies are essential for sustainable growth. BUMDes, managed by the village and community, strengthens the village economy through social, financial, trade, and service businesses. Ministerial Regulation No. 13/2020 prioritizes village funds for BUMDes development to promote equitable growth. Revitalization includes capital strengthening, digitalization, and partnerships. Key challenges include limited resources and the need for inclusive policies to enhance transparency and accountability.

Revitalizing BUMDes to boost the economy of rural commu-

nities in Indonesia aligns with the Sustainable Development Goals (SDGs) and human rights principles. As a signatory to international conventions, Indonesia is obligated to adhere to global standards in economic management, including at the village level. BUMDes revitalization contributes to SDGs, particularly Goal 1 (No Poverty), Goal 2 (Zero Hunger), and Goal 8 (Decent Work and Economic Growth), by generating employment and enhancing well-being. Moreover, the principles enshrined in the Universal Declaration of Human Rights (UDHR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR) are equally pertinent. BUMDes strengthens the economic rights of village communities, providing them access to business opportunities and improved living standards.

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