

THE LEGAL POLITICS OF THE ESTABLISHMENT OF BUMDES AS ONE OF THE STRATEGIES TO IMPROVE THE QUALITY OF LIFE OF INDONESIAN PEOPLE IN VILLAGES

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Abstract

The village has a source of income consisting of original village revenue, revenue sharing of regional taxes and regional levies, central and regional financial balance funds, allocation of the State Budget, and financial assistance from Provincial and Regency / City regions, as well as non-binding grants and donations from third parties. However, the problem is that the budget is not enough to finance all village development needs, let alone financial assistance from the Province and Regency / City to the Village is given in accordance with the financial capacity of the Regional Government concerned. If the region has little financial capacity, then the assistance provided is small or even no assistance at all because the condition of the area is not able, so that the acceleration of village development becomes difficult to implement. One of the efforts to improve village development and development lies in the Optimization of Sources of Income or PAD which is used as a support and driver in the implementation of village government, namely by optimizing the potential of Village-Owned Enterprises (BUMDES) as the main element of increasing village income in Indonesia. Village-Owned Enterprises are business entities whose entire or most capital is owned by the Village through direct participation derived from separated Village wealth to manage assets, services, and other businesses for the maximum welfare of the village community, such as Village market management, Village-scale tourism area management, non-metal mineral mining and rock mining without use heavy equipment, as well as other sources that are not for sale. Therefore, the issues discussed in this article are about the legal basis for the presentation of BUMDES, Types of Businesses and Differences in the Principles of Village-Owned Enterprises and The Legal Politics of The Establishment of Bumdes As One of The Strategies to Improve the Quality of Life of Indonesian People in Villages.

Keywords: Legal Politics, Establishment of Bumdes, Quality of Life, Indonesian People, Villages.

INTRODUCTION

The village by origin is derived from the Sanskrit word "dhesi", which means homeland. So, the village is not only seen in the appearance of the physical village but also its socio-cultural dimension. Village which means homeland in addition to indicating a place or area also describes the socio-cultural life and activities of its inhabitants. The names of villages in several regions vary, kampung/dukuh (West Java), gampong (Aceh), huta (Tapanuli), nagari (West Sumatra), marga (South Sumatra), wanus (North Sulawesi), and dusun dati (Maluku).¹

Recognition of the authority of villages to regulate and manage their own affairs has been recognized in Law No. 22 of 1999 concerning Regional Government and UUNo 32 of 2004 concerning Regional Government. The framers of Law No. 22 of 1999 concerning Regional Government, for example Prof. M. Ryaas Rasyid, emphasized that the basic spirit of Law No. 22/1999 is to provide recognition of the diversity and uniqueness of villages (or by other names) as self-governing communities, which of course is a manifestation of the meaning of

"special" in Article 18 of the 1945 Constitution. This new meaning is different from the spirit and design contained in Law No. 5/1979, which only places the village as the lowest unit of government under the sub-district. Politically, Law No. 5/1979 intends to subjugate villages within the framework of the Republic of Indonesia, which has the effect of eliminating the basis of self-governing communities.²

The village has a source of village income consisting of the original income of the village, the revenue sharing of local taxes and levies of the regency / city, part of the central and regional financial balance fund received by the district / city, budget allocation from the State Budget, financial assistance from the provincial budget and the district / city revenue and expenditure budget, and non-binding grants and donations from third parties.

Financial assistance from the Provincial Revenue and Expenditure Budget and the District/City Regional Revenue and Expenditure Budget to the Village is provided in accordance with the financial capability of the relevant Regional Government. The assistance is directed to accelerate Village Development. Other sources of income that can be cultivated by the Village come from Village-Owned Enterprises, Village market management, Village-scale tourism area management, non-metal mineral and rock mining management by not using heavy equipment, as well as other sources and not for sale.

DISCUSSION

A. Legal Basis for the Establishment of BUMDES

1. Establishment of BUMDES

In Law Number 4 of 2015 concerning the Establishment, Management and Management, and Dissolution of Village-Owned Enterprises, it is stated that Village-Owned Enterprises, hereinafter referred to as BUMDes, are business entities whose entire or majority of capital is owned by the Village through direct participation derived from separated Village wealth in order to manage assets, services, and other businesses for the maximum welfare of the village community.

Anom Surya Putra (2015: 9) stated several definitions of Village-Owned Enterprises (BUMDes) including:

1. BUMDes is one of the policy strategies to present state institutions (Ministry of Village PDTT) in community and state life in the Village (hereinafter referred to as Village Tradition).
2. BUMDes is one of the policy strategies to build Indonesia from the periphery through the development of collective village economic businesses.
3. BUMDes is one of the policy strategies to improve the quality of life of Indonesian people in villages.
4. BUMDes is a form of village economic independence by mobilizing strategic business units for the village's collective economic efforts.

It is stated in the Regulation of the Minister of Home Affairs Number 39 of 2010 Article 5 paragraph 1 concerning Village-Owned Enterprises that BUMDes can be established according to the needs and potential of the village. What is meant by "village needs and potential" is:

1. The needs of the community, especially in meeting basic needs.
2. There are village resources that have not been optimally utilized, especially village wealth and there is demand in the market.
3. Human resources are available that are able to manage business entities as assets driving the community's economy
4. The existence of business units that are economic activities of community residents that are partially managed and less accommodated.

The initial purpose of establishing Village-Owned Enterprises (BUMDes) is intended to encourage or accommodate all activities to increase community income, both those that develop according to local customs and culture, as well as economic activities that are handed over to be managed by the community through programs or projects of the central government and local government. As a village business, the establishment of BUMDes is really to maximize the potential of the village community, be it economic potential, natural resources, or human resources. Specifically, the establishment of BUMDes is to absorb rural workers to increase creativity and productive economic business opportunities for those with low incomes. The target of economic empowerment of rural communities through BUMDes is to serve rural communities in developing productive businesses. Another objective is to provide media for various businesses in supporting the economy of rural communities in accordance with the potential of the village and the needs of the community.

Kartasasmita (1997: 23) stated that conceptually the empowerment of BUMDes is not much different from the concepts of community empowerment that are widely known today, for example as an effort to strengthen the elements of empowerment to improve the dignity and dignity of layers of society who are in poor conditions by relying on their own strength so that they can get out of the trap of poverty and underdevelopment, or the process of enabling and independent society. The concept of BUMDes empowerment put forward here is based on the empowerment of BUMDes is a process of empowering development potentials in villages that are based on, by, and for the community or in other words carried out in a participatory manner.

Changes in people's behaviors/attitudes and perspectives are a solid foundation for the establishment of independent community institutions, through empowering the actors, to be able to act in accordance with their dignity and dignity as noble human beings who are able to apply noble values in their daily community life. The independence of this community institution is needed as a forum for the struggle of the poor, who are independent and sustainable in voicing their aspirations and needs and are able to influence the decision-making process related to public policies at the local level to be more oriented to the poor and realize good governance ("*good governance*"), both in terms of economic, environmental aspects – including housing and settlements, and social (Wahyudin Kessa 2015: 12)

The preparation of a business plan is important to be made in a period of 1 to 3 years. The goal is that BUMDes managers have clear guidelines on what must be done and produced in an effort to achieve the goals set and their performance to be measurable. The preparation of a business plan is made together with the Board of Commissioners of BUMDes. Another point that was also discussed was the recruitment process and payroll and wage system. To determine the people who will be the managers of BUMDes can be done by deliberation. But its selection should be based on certain criteria. The criteria are intended so that office holders in BUMDes are able to carry out their duties properly (Wahyudin Kessa 2015: 14)

In addition to the stages of formation, there are several conditions that must be met in the formation of BUMDes as stated in the Regulation of the Minister of Home Affairs Number 39 of 2010 concerning Village-Owned Enterprises Article (5), the conditions for the formation of BUMDes include:

1. At the initiative of the village government and / or the community based on the deliberations of villagers.
2. The existence of the community's economic business potential.
3. In accordance with the needs of the community, especially in meeting basic needs.
4. The availability of village resources that have not been optimally utilized, especially village wealth.
5. The availability of human resources who are able to manage business entities as assets driving the economy of rural communities.
6. The existence of community business units which are economic activities of community residents that are partially managed and less accommodated.
7. To increase people's income and the village's original income.

In the formation of BUMDes, stages are carried out in a participatory manner. The goal of establishing BUMDes is really with the pulse of village economic business and village democratization. The stages include:

1. Socialization about BUMDes.

Socialization initiatives to village communities can be carried out by the Village Government, BPD, KPMD (Village Community Empowerment Cadres)⁶ either directly or in collaboration with (i) Village Assistants domiciled in sub-districts, (ii) Technical Assistants domiciled in districts, and (ii) Third Party Assistants (NGOs, Universities, Community Organizations or companies). This socialization step aims to make the village community and village institutions understand what Village BUM is, the purpose of establishing Village BUM, the benefits of establishing Village BUM and so on. All Assistants and KPMD make innovative-progressive efforts in convincing the community that Village BUM will provide benefits to the Village.

2. Implementation of Village Deliberation.

Village deliberations or what is referred to by other names are deliberations between BPD, Village Government, and community elements organized by BPD to agree on strategic matters. Practically, Village Deliberation is organized by BPD facilitated by the Village Government. This Village Deliberation discussed the following matters:

- a. Village potential that can be developed through business management.
- b. recognize the needs of most villagers and communities outside the village.
- c. Determine alternative designs on business units and classification of business types. The proposed business unit can be a legal entity (PT and MFI) or not a legal entity.
- d. determination of BUMDes managers including management structure (*organizational structure and management name*). The organizational structure is the subject of discussion in the Village Deliberation and will later become a substantive part in the Perdes on the Establishment of BUMDes.
- e. drafting the Articles of Association and Bylaws of BUMDes. AD / ART is discussed in MusyDes and the results of the AD / ART text are determined by the village head as stipulated in Article 136 paragraph (5) of the Village PP. AD / ART in Article 5 of Permendesa BUMDes is a derivative norm from Article 136 paragraph (4) of Village PP, so that AD / ART is discussed in Village Deliberation so that village community initiatives continue to underlie the substance of AD / ART.

3. Stipulation of Perdes on the Establishment of BUMDes

The composition of the names of administrators who have been selected in the Musdes is used as a basis by the Village Head in the preparation of the Village Head's decree on the Management Structure of Village BUM.

Basically, empowerment is an approach taken in a development process that emphasizes giving strength, ability and authority to the community to participate in the development process. There are at least two targets of empowerment that can be achieved, namely (1) the release of people from the shackles of poverty, dependency and backwardness, (2) the strengthening of their position both in social, economic and power structures (Chabib Sholeh, 2014: 105).

Distrust is one of the problems faced by the Indonesian nation, the government does not trust the ability of its people so that there is a monopoly of power. For this reason, rebuilding trust between the community and the government is very important to do in an effort to accelerate development. Seeing this, the Government is aware that the most rational approach to use is participatory development and not development that prioritizes a mobilization approach (Chabib Sholeh, 2014: 16).

Development that prioritizes participation means development that provides opportunities for the people to participate in planning, implementing, supervising and accounting. In this case people are not seen as objects, but rather they are seen as subjects of development. Through

this participatory development approach, accountability, responsibility and transparency will be easier to realize.

Village-Owned Enterprises (BUMDes) is one of the government programs based on empowerment and decentralization. With this BUMDes program, the government has the spirit to regain confidence with the community to work together to create economically independent village communities.

So far, the community has only been an object of development, this will affect the mentality and behavior of those who tend to depend on the government. Therefore, the development of village communities before their followers participate in the formation of BUMDes is necessary for the purpose of the program.

2. Legal Basis for the Establishment of Village-Owned Enterprises

Efforts to develop the rural economy have long been carried out by the Government through various programs. But the effort has not yielded satisfactory results as desired together. There are many factors that contribute to the lack of success of these programs. One of the most dominant factors is that government intervention is too large, as a result it hinders the creativity and innovation of rural communities in managing and running economic engines in rural areas. The economic institutional mechanism in rural areas is not effective and has implications for dependence on government assistance, thus killing the spirit of independence.

Based on past experience, one new approach that is expected to stimulate and move the wheels of the economy in rural areas is through the establishment of economic institutions that are fully managed by rural communities. This economic institution is no longer established on the basis of Government instructions, but must be based on the wishes of rural communities that depart from the existence of potential that if managed properly will generate demand in the market.

The establishment of Village-Owned Enterprises is based on Law No. 32 of 2004 concerning Local Government Article 213 paragraph (1) stated that "Villages can establish village-owned enterprises in accordance with the needs and potentials of villages" and is also listed in Government Regulation (PP) no. 71 of 2005 concerning Villages. The establishment of this village business entity is accompanied by capacity building efforts and is supported by regional policies (Regency / City) that participate in facilitating and protecting the business of rural communities from the threat of competition from large investors. Given that village-owned enterprises are new economic institutions operating in rural areas, they still need a strong foundation to grow and develop. The foundation builder for the establishment of BUMDes is the Government, both central and regional.

BUMDes in their operationalization are supported by village monetary institutions (financing) as a field that conducts financial transactions in the form of credit and deposits. If economic institutions are strong and supported by adequate policies, then economic growth accompanied by equitable distribution of assets to the people at large will be able to overcome various

economic problems in rural areas. The ultimate goal of establishing BUMDes is expected to be a *pioneer* in bridging efforts to strengthen the economy in rural areas.

In the latest Law No. 6/2014 on villages, it is also mentioned that Village-Owned Enterprises, hereinafter referred to as Village BUM, are business entities whose entire or most capital is owned by the Village through direct participation derived from separated Village wealth in order to manage assets, services, and other businesses for the maximum welfare of the Village community. In Law No. 6/2014 there are 4 articles that explain BUMDesa, where each article consists of:

1. Article 87 Regarding the Spirit that underlies the establishment and management of BUMDesa
2. Article 88 regarding the establishment of BUMDes
3. Article 89 concerning the Benefits of the establishment of BUMDes
4. Article 90 concerning the direction of BUMdes business development that benefits rural communities.

From Law No. 6/2014, it can be concluded that BUMDes are currently expected to play an important role in developing village potential, especially in managing village finances in their areas.

Currently, the legal basis regarding the existence and governance of BUMDesa is increasingly clarified by the government with the issuance of Permendesa No. 4/2015 concerning BUMDes. Although previously also issued Permendagri No. 113/2014 concerning village financial management, the Permendagri did not mention BUMDes. In Permendesa No. 4/2015 explained in more detail about the process of establishing BUMDes, who has the right to manage BUMDes, the capital of BUMDes, the types of businesses allowed, along with reporting and the responsibility for reporting BUMDes is regulated in this Candy. This of course brings fresh air to villages that have BUMDes but still do not understand properly about the correct management in BUMDes.

With the latest Permendesa regarding BUMDes, it is hoped that it will be able to strengthen the existence of BUMDesa as a support for the economy of rural communities in general and village resources in particular so that they can be used as well as possible for the welfare of rural communities. This is important to do considering the increasingly vigorous expansion of large companies from within and outside the country to monopolize the potential of villages that can be commercialized for personal interests without thinking about the welfare of the surrounding community.

Thus, as stated above, the establishment of BUMDes is based on Law no. 32 of 2004 concerning Regional Government and PP no. 72 of 2005 concerning Villages. In detail, the legal basis is in Law no. 32 of 2004 concerning Regional Government, precisely in Article 213 paragraph 1 which reads "Villages can establish village-owned enterprises in accordance with the needs and potentials of the village". As for PP no. 72 of 2005 concerning Villages, there are several articles, namely:

Article 78 which explains several things include:

1. In increasing community and village income, village governments can overcome this by establishing village-owned enterprises that are in accordance with the needs and potential of the village.
2. The establishment of village-owned enterprises is determined by village regulations guided by laws and regulations.
3. The form of village-owned enterprises must be based on law.

Article 79 which provides several explanations regarding:

1. Village-owned enterprises are businesses managed by the village government.
2. The capital of village-owned enterprises comes from:
 - Village government
 - Community savings
 - Assistance from the Central government, Provincial government, Regency / City government.
 - Loans from various parties (Also read: types of credit)
 - Cooperation and profit sharing with other parties.
3. The management of village-owned enterprises consists of the village government and the community.

Article 80 explains several things, namely:

1. Village-owned enterprises have the authority to make loans in accordance with existing laws and regulations.
2. Loans can be obtained by village-owned enterprises after obtaining approval and permission from BPD

Article 81 explains several things, including:

1. Provisions regarding procedures for the establishment and management of village-owned enterprises are regulated in Regency / City regional regulations.
2. Regency / city regulations contain several important things, including:
 - Form of legal entity
 - Management
 - Rights and obligations
 - Capital
 - Business profit sharing or profit sharing
 - Cooperation with 3rd parties
 - Management and accountability mechanisms

B. Types of Business and Different Principles of Village-Owned Enterprises

Villages are one of the potential places for a country's economy. This is where a lot of potential can be developed, besides that there are also many natural resources available in it. Before the government realized this, villages could not develop and remained behind. However, when the government realized the huge potential of the village, they issued a policy, namely Regional Autonomy, so many regions took advantage of it to develop their regions, especially developing their villages. One of the activities carried out is a village-owned enterprise.

Village-owned enterprises which are often referred to as BUMDes are village business institutions managed by the village government as well as the village community with the aim of strengthening the village economy and formed based on the needs and potentials that exist in the village. BUMDes is a business entity that is able to help the community in all things, including meeting daily needs, becoming business opportunities or jobs, adding insight to the village community.

1. Characteristics and Objectives of BUMDES

Next we will discuss the characteristics of BUMDes, including:

1. Full power is in the hands of the village, and is managed together with the village community
2. Shared capital, which is sourced from the village by 51% and from the community by 49%, is carried out by equalizing capital (shares or shares).
3. Using business philosophy rooted in local culture to conduct operational activities. This operationalization process is controlled jointly by BPD, Village Government and community members.
4. For the field chosen for village business entities adjusted to the potential and market information.
5. The profits obtained from production and sales are aimed at improving the welfare of members and the village community through village policies.
6. The provision of facilities and supervision is carried out by the Provincial Government, Regency Government, and Village Government.

Based on Article 3 of the Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration of the Republic of Indonesia Number 4 of 2015 concerning the Establishment, Management and Management, and Dissolution of Village-Owned Enterprises, BUMDes have the following objectives:

1. Improving the village economy;
2. Optimize village assets to be useful for village welfare;
3. Increase community efforts in managing the economic potential of the village;
4. Develop business cooperation plans between villages and/or with third parties;

5. Creating opportunities and market networks that support the general service needs of citizens;
6. Create jobs;
7. Improving community welfare through improving public services, growth and equitable distribution of the village economy; and
8. Increase the income of the village community and the original income of the village.

Basically, the establishment and management of BUMDes is a manifestation of productive village economic management carried out in a cooperative, participatory, emancipative, transparent, accountable and sustainable manner. For this reason, it requires serious management of BUMDes so that they can run independently, effectively and professionally.

To achieve its goals, BUMDes use ways to meet the needs of the community in the form of goods and services. The needs of the community that must be met are basic needs, besides that business provision for the community is also one of the responsibilities of BUMDes.

2. Classification of Village BUM Business Types

Next we will discuss the types of businesses in BUMDes, including:

a. Serving³

Serving is one type of BUMDes that focuses on running a social business that serves citizens, it can be called a public service aimed at the entire community. This type of business is not too focused on seeking profit because basically their motives are social. So they really serve the community without exception. For example, food barns, village electricity businesses, clean water distillation, and others.

b. Renting⁴

Renting is a type of village business entity that focuses on leasing, namely by serving all village communities who need rental in an effort to meet their living needs. Maybe leases are better known in the city, but this business has long been implemented in the village. For example: tractor rental, rental of houses and shops, land, buildings, party utensils and so on.

c. Brokering⁵

What is meant by brokering is an intermediary, so this type of BUMDes can be called an intermediary institution that connects one party and another party that has the same goal. In the village, what is often carried out is to connect agricultural commodities with markets with the aim that farmers are not difficult to find consumers and sell their rice products. This type of business can also be called a type of business that sells services to residents and small businesses in the community. For example, electricity payment services, PAM, telephone, motor vehicle tax extension services and many others. In addition, the village also established a village market to accommodate community products to be sold to the market, such as KUD and others.

d. Trading⁶

Trading is one type of business in BUMDes that focuses its business on producing and trading certain goods in a market with a broad class to meet the needs of the community. For example: Ice factories, liquid smoke factories, agricultural products, livestock products and so on.

e. Financial business⁷

As the name implies, this type of BUMDes focuses on financial business, namely by meeting the financial needs of rural communities. Unlike other banks, this village business entity provides lower interest expenses because Village Banks are oriented towards helping and prospering people's lives. For example, revolving fund business units, village banks, village microfinance institutions, and others.

f. Holding⁸

Holding is one type of business entity that is often referred to as a joint venture. What is a joint business, if you often go to the village, you must know that what is meant by joint business is a unit of business units in the village, where each unit stands alone, which is regulated and arranged synergistically by BUMDes in order to grow and develop together. For example: tourism villages that coordinate various types of businesses from community groups such as crafts, food, tourist offerings, arts, lodging and others. There is also a large village boat to coordinate and accommodate small fishermen.

g. Contracting

We certainly know about contract work, this type of BUMDes is a partnership business carried out by business units in BUMDes in collaboration with the Village Government or other parties. For example: Construction of Sarpras such as asphalt roads, and so on.

This is a brief explanation of Village-Owned Enterprises, often known as BUMDes, it turns out that not only the government and private parties have business entities, but villages also have them. The existence of this village-owned enterprise is very meaningful for the welfare of the village community, because it provides enormous benefits such as being able to help the community in recognizing and utilizing existing potential, opening job opportunities, and so on. Basically, village-owned enterprises aim to prosper and revive the village economy. So that the village will be able to support the development of the country's economy. This can happen because the village is the smallest unit but has a crucial role in the state.

C. The Legal Politics of the Establishment of Bumdes as One of the Strategies to Improve the Quality of Life of Indonesian People in Villages

Law Number 6 of 2014 concerning Villages provides a new spirit for villages to empower themselves by giving birth to the spirit of "village building", meaning that villages are placed as early milestones in the success of national development. So that the strengthening of the village cannot be separated from the strength of the village in extracting the potential of local wisdom and the spirit of mutual cooperation of its residents. The birth of Law Number 6 of 2014 concerning Villages is a government legal policy as one of the main strategies to improve

the quality of life of Indonesian people in villages through the establishment of village-owned enterprises abbreviated as Bumdes.

Based on theoretical studies of the village economy, there is an interesting thing in it, that the village has a very strong and deep-rooted social capital condition of the community. One form of social capital in question can be described through the variety of social ties and strong social solidarity owned by rural communities as an important buffer for government, development, and community activities.

However, the condition of social capital owned by rural communities is still inversely proportional to the condition of village economic capital, where the social capital of rural communities consisting of social bonding, social *bridging* and *social linking*, the three social ties of the village community are parochial or become the most superficial social capital, and are unable to facilitate economic development, To create a socially vibrant village in the local democratic context.⁹

The Indonesian economy is organized based on economic democracy with the principles of togetherness, equitable efficiency, sustainability, environmental insight, independence and by maintaining a balance of progress and national economic unity. So that Indonesia's economic democracy is manifested in three main economic actors, namely: SOEs / D, Cooperatives and the Private Sector.¹⁰

The reality of Law Number 6 of 2014 states that village development aims to improve the quality of human life and poverty reduction through the provision of basic needs, the development of facilities and infrastructure, the development of local economic potential, and the sustainable use of natural resources and the environment, by prioritizing togetherness, kinship and mutual cooperation to realize social justice.³

Based on the above reality, the birth of Village-Owned Enterprises or abbreviated as BUMDes is a manifestation of the mandate of Law Number 6 of 2014 in Article 87 which states that BUMDes are formed on the basis of the spirit of kinship and cooperation to utilize all economic potential, economic institutions, as well as the potential of natural resources and human resources in order to improve the welfare of rural communities. So that the existence of BUMDes in the midst of rural communities can run businesses in the economic and public services which in their activities are not only profit-oriented, but oriented to support the improvement of the welfare of rural communities.

Furthermore, BUMDes as village economic institutions that are legal and have an important role in improving the economic business of rural communities, need to be supported by the government as a base for the development of small medium industries or MSMEs. A researcher at the SMERU Social Economic Research Institute, Akhmad Fadli, explained that the village law requires each village to have BUMDes, where the concept of retail store business can be built as an implementation of the form of BUMDes units. So it really takes the commitment of the central government to the village to form a network marketing cluster through BUMDes. If the government does not prepare a market network, domestic products will be difficult to compete with other products in the ASEAN region.¹¹

The ASEAN Economic Community opens opportunities for the opening of free markets across regions, where each country has equal opportunities to compete with each other. The era of global trade is also marked by the rapid advancement of information technology, thus making boundaries between countries increasingly pseudo. Indonesia positions itself as a potential resource, both natural and human, to be addressed wisely by stakeholders in order to compete through increasing the competitiveness of business actors.

One of the rationales above is the existence of BUMDes, where BUMDes as legal institutions in developing businesses and the economy of local communities (villages), are expected to give birth to superior local products that can become a positive image in free market competition (AEC). One that must be considered is regarding the expansion of the local product market through BUMDes by considering the following things: 1) Build special marketing centers and outlets for BUMDes products; 2) Drafting regulations that require modern markets (such as: Giant, Indomaret, Alfamart, Hypermart etc.) to participate in marketing BUMDes products; and 3) Implementing *a linkage strategy* between BUMDes producing intermediary raw materials with industries engaged in the downstream sector.

So that the picture above provides an understanding that villages that have extraordinary resources, will lose competition if they cannot create the welfare of their people in the era of free competition that requires creative efforts in developing their social capital. Business and economic development of rural communities is important to pay attention to, because increasing competitiveness will encourage economic growth, and the development and existence of villages as the lowest regional unit, will have a positive impact nationally in the face of free market competition.

Village-Owned Enterprises (BUMDes) are defined by Law Number 6 of 2014 as business entities whose entire or majority of capital is owned by the village through direct participation derived from separated village wealth to manage assets, services and other businesses that are widely for the benefit of the welfare of the village community.

In general, the establishment of BUMDes is intended to: 1) Improve services to the community, so that community businesses in the village develop; 2) Empowering villages as autonomous regions to increase productive efforts for poverty alleviation, unemployment and PADes improvement; and 3) Increase the independence and capacity of villages and their communities in strengthening the economy of rural communities.

Village development can be improved through developing village economic potential and becoming an alternative space for rural communities to develop themselves independently and participatory. Villages today will face the reality of the presence of free market competition, one form of which is the ASEAN Economic Community (AEC). To create village competitiveness, it is necessary to have an inventory of the potential of each village to be used as local superior products. So that BUMDes become important for their presence to give birth to competitive economic businesses for rural communities.

In addition to being appointed as a village economic legal institution for improving public services and optimizing village assets, BUMDes also play a role in supporting business and economic activities of rural communities in facilitating and coordinating productive economic efforts owned by rural communities.

Today BUMDes still faces problems in the development of the BUMDes institution itself, among the problems that often arise are: 1) The business climate is not yet conducive; 2) Limited information and market access; 3) Low productivity (low technology); 4) Limited capital; and 5) The low spirit and entrepreneurial spirit of the community. According to Amendment No. 22/2016 concerning the Determination of Priorities for the Use of Village Funds in 2017, it is known that through the use of village funds in supporting the development of village economic businesses, there are three important aspects of using village funds for the development of BUMDes, namely: 1) Capital; 2) Skills Training and Entrepreneurship; and 3) Development of Production Tools and Facilities.

In order for these BUMDes to develop and become competitive economic institutions of rural communities, it is necessary to categorize the level of development of BUMDes based on their development status. This categorization is important as a basis for policy making and BUMDes development according to the level of progress that has been achieved. So that with this grouping the government can budget policies, credit and others that are in accordance with the needs of BUMDes in each group.

Thus, there are two important things that become consren in strengthening the role of BUMDes as business and economic institutions of rural communities, namely:

1. Utilizing the concept of superior commodity areas that have an impact on the social and economic aspects of rural communities.
2. In order for these BUMDes to develop and become competitive village economic institutions, it is necessary to categorize the level of development of BUMDes based on their development status, where this categorization can help the government in decision making.

The existence or strengthening of the role of BUMDes in developing businesses and the economy of rural communities requires comprehensive handling, so that the growth of the national economy is firmly supported by a strong and directed village economy, so here are some of the author's suggestions as recommendations to various parties.

1. The government as a regulator can create policies that stimulate domestic economic growth, especially at the village level, with the development of potential local resources, expected to provide a spirit of readiness with the presence of free trade such as the presence of the ASEAN Economic Community which is full of liberalization.
2. The need to improve the BUMDes management system, where academics and the government can collaborate in finding the best model (*deliberative model*) for the development of strong and competitive BUMDes.
3. The need to *benchmark* successful BUMDes, by *sharing knowledge* for one BUMDes to another BUMDes that have similarities in the development of superior products.

CONCLUSION

Based on the description of the discussion above, the author can conclude the following:

1. The Legal Basis for the Establishment of Village-Owned Enterprises Currently, regulated by Law Number 6 of 2014 concerning Villages, the government has further clarified by the issuance of Permendesa Number 4 of 2015 concerning BUMDes. In Permendesa No. 4 of 2015, it is explained in more detail about the process of establishing BUMDes, who has the right to manage BUMDes, the capital of BUMDes, the types of businesses allowed, to the reporting and responsibility for BUMDes reporting.
2. The types of Village-Owned Enterprises include: Serving, Renting, Brokering, Trading, Financial business, Holding and Contracting.
3. Legal Politics The establishment of Bumdes as one of the strategies to improve the quality of life of Indonesian people in the village is to: (1) Improve services to the community, so that community businesses in the village develop; (2) Empowering villages as autonomous regions in increasing productive efforts for poverty alleviation, unemployment and increasing village original income; (3) Increase the independence and capacity of villages and their communities in strengthening the economy of rural communities; (4) Improve public services and optimize village assets; (5) Support the business and economic activities of rural communities; and (6) Improve the quality of human life; (7) Poverty alleviation through the provision of fulfillment of basic needs, development of facilities and infrastructure, development of local economic potential and sustainable use of natural resources and the environment, by prioritizing togetherness, kinship and mutual cooperation in order to realize social justice.

Notes

- 1) Quoted from Hermansyah, "The Role of Village Heads in the Implementation of Tana Lia Sub-District Development of Tana Tidung Regency (Case Study in Tanah Merah Village and Connection Village)" in the eJournal of Integrative Government, 3 (2), 2015, p.354.
- 2) As quoted from Sutoro Eko, Past, Present and Future of Village Autonomy Working Paper/EKO/II/February/2008, Institute for Research and Empowerment, Yogyakarta, p. 23.
- 3) Amendment, PDRT RI No. Year 2015 concerning the Establishment, Management and Management, and Dissolution of Village-Owned Enterprises, Article 19
- 4) *ibid*, Article 20
- 5) *Ibid*, art. 21
- 6) *Ibid*, art. 22
- 7) *Ibid* art. 23
- 8) *Ibid* article 24
- 9) Retrieved via <http://www.keuangandesas.com/pendekatan-utuh-penguatan-kelembagaan-ekonomi-desas/>, May 4, 2017, at 10.30 WIB
- 10) Accessed via http://m.kbr.id/muhamad_ridlo_susanto/01-2016/hadapi_meas_pemerintah_disarankan_berdayakan_bumdes_/78047.html, June 13, 2017, at 15.00 WIB

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A. Book

- 1) Anonymous. *Intact Approach to Strengthening Village Economic Institutions*, <http://www.keuangandesa.com/pendekatan-utuh-penguatan-kelembagaan-economic-village/>, dated May 4, 2017, at 10.30 WIB.
- 2) BUMDes, http://m.kbr.id/muhamad_ridlo_susanto/01-2016/hadapi_mea_pemerintah_disarankan_berdayakan_bumdes/78047.htm l, June 13, 2017, at 15.00 WIB
- 3) Burhanuddin. 2008. *Utilization of the Concept of Superior Commodity Areas in Agricultural Cooperatives*. Infokop Journal. Volume 16 (9), 143-154.
- 4) Hermansyah, "The Role of Village Heads in the Implementation of Tana Lia Sub-District Development of Tana Tidung Regency (Case Study in Tanah Merah Village and Connection Village)" in e Journal of Integrative Government, 2015.
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- 7) Ni'Matul Huda., *Local Government Law*, Nusamedia, Bandung, 2009
- 8) Peter Mahmud Marzuki., *Legal Research*, Kencana, Jakarta, 2005
- 9) Sustainable Village Program. 2016. *A Whole Approach to Strengthening Village Economic Institutions*. Yogyakarta: Penabulu Foundation.
- 10) Rozali Abdullah., *Implementation of Broad Autonomy and the Issue of Federalism as an Alternative*, Rajawali Pers, Jakarta, 2003
- 11) Susanto, R. Muhamad. *Facing AEC, Government Advised to Empower*
- 12) Susilo, Budi and Komara, K. Eko. 2016. *Baseline Research "Building an Entrepreneurial Village Movement"*. Yogyakarta: Penabulu Foundation
- 13) Sutoro Eko, *Past, Present and Future of Village Autonomy Working Paper / EKO / II / February / 2008*, Institute for Research and Empowerment, Yogyakarta, 2008
- 14) Tambunan, et. al., 2003. *Global Market, Is It a Threat or Challenge for SMEs? People's Economy in the Globalization Scene*. Jakarta: State Ministry of Cooperatives and SMEs.

B. Legislation

- 1) Law Number 23 of 2014 concerning Regional Government
- 2) Law Number 33 of 2004 concerning Financial Balance Between Central and Regional Governments
- 3) Law Number 6 of 2014 concerning Villages
- 4) Government Regulation Number 71 of 2005 concerning Villages
- 5) Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration of the Republic of Indonesia Number 4 of 2015 concerning the Establishment, Management and Management, and Dissolution of Village-Owned Enterprises